

# Financial Management

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# **FINANCIAL MANAGEMENT**

## **Introduction**

The Department for Public Health (DPH) has established uniform procedures to be used by all Local Health Departments (LHDs).

LHDs must follow all provisions of this [ADMINISTRATIVE REFERENCE](#). LHDs whose governing board of health is not appointed by the Cabinet for Health and Family Services must obtain a waiver from the DPH for any financial policies or procedures that are different from the provisions of this Reference. All interpretations of the provisions of this Reference shall be made by the DPH and such determinations shall be final and conclusive.

The DPH will conduct an On-Site Compliance Review at least every two years at each LHD. See the description of the ON-SITE COMPLIANCE REVIEW in this Section.

## **Regulatory References**

[902 KAR 8:165](#) – Local Health Department Accounting/Auditing Requirements

[902 KAR 8:170](#) – Local Health Department Financial Management Requirements

The in-state and out-of-state travel reimbursements for mileage, lodging, and subsistence shall not exceed the Finance and Administration Cabinet's official reimbursement travel rates. Travel regulations are maintained and updated on the Finance and Administration Cabinet's web page: <http://finance.ky.gov/internal/travel>. Travel regulations may also be found on the DPH website: <http://chfs.ky.gov/dph/>

## **Financial Planning And Budget Preparation**

In accordance with [902 KAR 8:170](#), DPH will provide annual budget preparation instructions.

Each year, budget training and instructions are provided to LHDs. LHDs must submit their budget and plans to DPH electronically.

[902 KAR 8:170](#), Section 1, contains the definitions for the LHD financial management requirements. Sections 2 through 9 provide the requirements for the LHDs financial management.

DPH's AFM, Local Health Budget Section is available to answer questions and provide technical assistance as needed.

## ACCOUNTING AND ANNUAL AUDITS

(updated June 10, 2010)

### Local Health Department Accounting And Auditing Requirements

LHDs will adhere to the requirements outlined in Administrative Regulation [902 KAR 8:165](#).

### Local Health Department Audits

Audits shall be in accordance with Section 2 of [902 KAR 8:165](#).

LHDs must solicit proposals for external accounting firms to conduct the annual audit and the OMB Circular A-133 portion of the audit, if required. A separate contract must be executed for each year regardless if the price and scope of service is unchanged.

The auditor selection process shall follow the guidance provided in the [Request for Proposal](#) (RFP) template located at L:\LHDBudgets\CONTRACTS10\RFP Audit Process 5 11 09.

Adherence to the RFP template will ensure requirements are included and a defensible process is followed.

### UNRESTRICTED FUNDS BALANCE EXCESS:

<http://www.lrc.state.ky.us/kar/902/008/170.htm> states in Section 3 3c: "The local health department accumulates an unrestricted fund balance, as of June 30 of a fiscal year, in excess of thirty (30) percent of that year's expenditures for non-fee programs plus forty (40) percent of that year's expenditures for fee for service programs, or \$80,000, whichever is greater. The local health department shall submit, to the Department of Public Health, a written plan of use for the amount of the excess. If approved, the funds shall be placed into a local restricted fund to be used solely for the purpose(s) approved.

### CHART OF ACCOUNTS BALANCE SHEET/GENERAL LEDGER

#### Assets

104	Local Bank
106	Petty Cash
107	Money Market
111	Time and Certificates of Deposit
116	Passbook Savings Account

#### Liabilities

140	Accounts Payable
141	Notes Payable
142	Federal Income Tax Withheld
143	State Income Tax Withheld
144	Social Security Tax Withheld

145	Health and Dental Insurance Deductions
146	Credit Union Deductions
147	Life Insurance Deductions
148	City Tax Withheld
149	County Tax Withheld
150	Retirement Withheld
151	Refundable Safety Seat Deposits
152	Deferred Compensation
153	Retirement Loan Deductions
154	Flexible Spending Accounts
159	Other Deductions/ Withholdings

### **Fund Balance**

171	Undesignated – (Unrestricted) Fund Balance (Account for Local Restricted Fund Balance)
000	Minor obj. Multiple Use
888	Minor obj. Capital Construction
894	Minor obj. Capital
172	Restricted Fund Balance – State
173	Restricted Fund Balance – Federal
174	Restricted Fund Balance – Fees

- \* Necessary Minor Object Codes within each balance sheet account may be established at the discretion of each local health department.
- \* Restricted Fund Balance Minor Object Codes are the Cost Center codes of the restricted funds.

## **FINANCIAL REPORTING**

**Local health department financial reports are available to the DPH, Division of Administration and Financial Management (AFM) as follows:**

### **Employee Time Reporting**

A fiscal year to date [American Standard Code for Information Interchange](#) (ASCII) file of each employee's paid hours by pay period is due 10 days after the ending of the last pay period in a month. The file should include the Ending Date, Health Department Identification Number (HID#), Employee ID#, Cost Center, and Function Codes.

Contact AFM for the specifications of the ASCII File.

### **Time Reporting**

All employees, including personal services contractual employees, are to report hours worked, in no less than 15 minute increments, by Payroll Classification, Cost Center, and Function Code.

LHDs are to maintain an employee leave accrual system, either manual or computerized. The system must maintain an accurate record of leave earned, leave used, and a current leave balance. Accrual is to be based on the rates provided by Administrative Regulation [902 KAR 8:120](#), Sections 2, 3, 4, 5, 20, and 21. The system should transfer any accumulated annual leave above the maximum allowable to the employee's sick leave balance.

### **General Ledger**

An ASCII file is due by the 10<sup>th</sup> of the following month. The file must include fiscal year to date balances and current month transaction totals by Period Ending Date, HID#, Cost Center, General Ledger, Minor Object, and Account Description.

Contact AFM for the specifications of the ASCII file.

### **Indirect Cost Procedures**

All LHDs will use the following indirect cost procedures unless they are approved by their federal agency to use different procedures.

As stated in [OMB Circular A-87](#) Cost Principles for State, Local and Indian Tribal Governments: "There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. It is essential, therefore, that each item of cost be treated consistently either as a direct or an indirect cost." The general definition of direct cost included in OMB Circular A-87 is: "Direct costs are those that can be identified specifically with a particular cost objective." Indirect costs are defined as being (a) "incurred for a common or joint purpose benefiting more than one cost objective and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved."

#### **1. Accounting System Organization**

In keeping with the definitions of direct and indirect cost, and the requirements of [Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government](#) (ASMB C-10), the LHD accounting system is organized using Cost Centers to which direct costs associated with each Cost Center's activities must be charged.

Costs for all patient visits are first charged to the 700 Cost Center and are then allocated on a monthly basis to the 800 – 817 Cost Centers using Medicare resource based relative value (RBRV) factors. Costs for clinic procedures that are provided by contracted providers at offsite locations are charged directly to the 800 – 817 Cost Centers.

Costs for radiology, laboratory and pathology are first charged to the 718 Cost Center and are then allocated on a monthly basis to the 800 – 817 Cost Centers. Costs for radiology, laboratory and pathology tests and procedures that are provided by contracted providers at offsite locations are charged directly to the 800 – 817 Cost Centers.

There are seven indirect cost pools.

- 897 - Space
- 898 - Departmental (benefits all categories of direct service projects)
- 899 - Clinic (benefits only the 700 – 718 clinic operation Cost Centers)

- 900 - Other Medical (benefits only Medical projects)
- 901 - Environmental (benefits only Environmental projects)
- 902 - Other projects (benefits only Other projects)
- 903 - Home Health (benefits only Home Health Agency projects)

## 2. Payroll Related Expenditures

### a. Salaries:

Accounting, budgeting, payroll, data processing, departmental management, personnel administration, and purchasing may often be performed by employees who also have substantial direct project activities. To properly reflect these circumstances, the accounting system does not permanently assign employees to any direct or indirect Cost Center, but allows each employee to charge payroll expense to any direct or indirect Cost Center that is appropriate for the activity being performed. To ensure consistency, the official budgetary process requires the LHD's Director to list the amount of time each employee will charge to each Direct Cost Center and Indirect Cost Center.

### b. Leave Pay:

Payroll expenditures for authorized types of leave pay for each employee are accumulated in the 895 Allocable Direct Reporting Area. 895 expenses are separated into seven accounts (Departmental, Environmental, Medical, Clinic, Home Health, Home Health On-Call, and Other based on where the majority of the employees' time is coded).

Year to date departmental leave pay expenditures are allocated to all Direct Cost Centers and to the Departmental Indirect Cost Center (898) according to the proportion of year to date salaries in each of these Cost Centers. Year to date environmental leave pay expenditures are allocated to each Direct Environmental Cost Center and to the Environmental Indirect Cost Center (901) according to the proportion of year to date environmental salaries in each of these Cost Centers. Year to date clinic leave pay expenditures are allocated to all Direct Clinic Cost Centers (700, 715, and 718) and to the Clinic Indirect Cost Center (899) according to the proportion of year to date salaries in each of these Cost Centers. Medical, Home Health, and other leave pay expenditures are allocated on a similar basis.

### c. Fringe Benefits:

Payroll related fringe benefit expenditures are accumulated in the 895 Allocable Direct Reporting Area. Year to date fringe benefit expenditures are allocated to all Cost Centers according to the proportion of year to date salaries and leave pay recorded in each Cost Center for full-time employees and according to the proportion of year to date salaries recorded in each Cost Center for part-time employees.

## 3. Non-Payroll Related Expenditures

The General Guidelines that may be used to determine if a non-payroll related expenditure that benefits more than one Cost Center should be charged indirectly or directly are as follows:

- 1) Expenditures for items that will benefit 2 or 3 Cost Centers may possibly be allocated to each Cost Center as a direct cost at the time the expenditure is made. The allocation should be based upon the planned usage of the items in each Cost Center as documented by the planned number of services requiring the item listed in the local departments approved service plans. Actual services provided in each Cost Center must be sufficient to validate the allocation amounts, or appropriate adjustments to the accounts must be made on a timely basis.
- 2) A possible alternate procedure, if an expenditure item benefits 2 or 3 Cost Centers, is to charge the total expenditure to the 895 Allocable Direct Cost Center as a suspense item. When actual usage amounts by Cost Center become known by the use of stockroom requisition and inventory procedures, then adjusting entries that directly charge the expenditure items to the appropriate Cost Centers and that reduce the suspense amounts must be made.
- 3) Expenditures for items that benefit four or more Cost Centers may possibly be charged to the appropriate Space, Departmental, Clinical, Medical, Home Health, Other, or Environmental Indirect Cost Center according to the Cost Centers benefited. However, if the expenditures can be readily allocated to each specific Cost Center benefited by the use of the procedures listed in (1) or (2) above and if the effort to accomplish this allocation is not disproportionate to the results achieved, then the procedures in (1) or (2) should be used and the expenditure items recorded as direct expenditures.

#### **4. Indirect Cost Rates And Allocation Procedures**

Initially, all indirect cost rates are based on expenditure amounts included in each LHD's health-approved annual budget.

- a. The Departmental indirect cost rate is determined by dividing the total expenditures in the Departmental Indirect Cost Pool (898) by the total direct Payroll Expenditures of the health department.
- b. The Space indirect cost rate is determined by dividing the total expenditures in the Space Indirect Cost Pool (897) by the total square footage of health department facilities that are used for Direct Cost Center activities.
- c. The Clinical indirect cost rate is determined by dividing the total expenditures in the Clinical Indirect Cost Pool (899) by the total direct payroll expenditures of the Direct Clinical Cost Centers (700 – 718) of the health department.
- d. The Medical indirect cost rate is determined by dividing the total expenditures in the Other Medical Indirect Cost Pool (900) by the total direct Payroll Expenditures of the direct Medical Cost Centers (700 – 859 and 878 – 879, 882 – 884 and 890) of the health department.
- e. The Home Health indirect cost rate is determined by dividing the total expenditures in the Home Health Indirect Cost Pool (903) by the total direct Payroll Expenditures in the Direct Home Health Agency Cost Centers (860 – 869) of the health department.
- f. The Other indirect cost rate is determined by dividing the total expenditures in the Other Indirect Cost Pool (902) by the total direct Payroll Expenditures in the other Direct Cost Centers (870 – 877, 880 – 881, and 885) of the health department.
- g. The Environmental indirect cost rate is determined by dividing the total expenditures in the Environmental Indirect Cost Pool (901) by the total direct Payroll Expenditures of the Direct Environmental Cost Centers (500 – 595) of the health department.



- h. Allocation of indirect cost is made in the financial statements of LHDs based upon actual rates rather than on the budgeted rates determined above. Thus, each month, seven new year-to-date rates are computed using the procedures listed above. Then, year-to-date actual amounts of indirect cost are allocated to each applicable direct Cost Center from the seven indirect cost pools by use of the seven computed rates multiplied times the year-to-date direct Payroll Expenditures in each Cost Center.
- i. Only the Departmental indirect cost rate will be applied to Cost Centers that are established for DPH State level positions that are paid through LHDs.

## **ACCOUNTS RECEIVABLE WRITE-OFFS**

Write-off procedures must follow the internal control policy for all programs or services that charge or generate fees. Appropriate audit trails must be maintained for all write-offs.

Specific to clinical services, the following write-off procedures are to be followed:

### **Payor Code 1 (Self-Pay)**

Fees charged but not collected will be removed monthly from accounts receivable in the following manner:

- For accounts \$10 or less and the date of service and account balance greater than 6 months the patient account will automatically be written off as a bad debt (via computerized program).
- For accounts over \$10, date of service is over six months and the account balance over six months old, the bill is to be written off by the LHD within 30 days after it is deemed uncollectible.

Internal control procedures should be followed for the below payor codes:

Payor Code 2 (Medicaid)  
Payor Code 3 (Medicare)  
Payor Code 8 (Contract)  
Payor Code 9 (Private insurance)  
Payor Code 15 (Co-pay)

It is recommended that outstanding balances do not go beyond a twelve month period of time to reduce liabilities and financial risks to the local health department.

An example of an internal control policy regarding receipts management follows:

**XXXXX Health Department**

**Policy A-IC-13**

**September 15, 2005**

### **SAMPLE Receipts Management Policy**

**Purpose:** To establish a standard procedure for the collection and management of receipts to ensure adequate and appropriate internal control measures.

**Policy:** All checks received at any site must be immediately stamped with a "Deposit Only" stamp. This shall be done by (Administrative Staff). All money sent to the (LHD/District Office) must be in a sealed envelope and accompanied by calculator tape indicating total money sent, in addition to the Daily Receipts 358 Report when applicable. All money received in the (District Office) goes to the (Office Manager) to be logged by date, amount, and check name (if applicable), except for clinic money received, which will go to the (Administrative Staff) person assigned this responsibility. Money is then forwarded to the Purchasing Agent to be coded and deposited. Money received from (LHD sites/local health centers) shall be matched and balanced with daily 358 cash received report. Daily deposit tickets are given to the (Administrative Staff) to be entered into the General Ledger.

**Procedure:**

I. At the end of the month:

- A. The (Administrative Staff) performs a reconciliation.
- B. The (Administrative Staff) runs a calculator tape of the entire month's receipts and reconciles with the calculator tape of all deposit tickets as deposited by the Purchasing Agent and provided to the (Administrative Staff). Any discrepancies are thoroughly investigated and documentation made of the findings.
- C. The Director, or designee, receives all cancelled checks, bank statements, deposit slips, transfers, and other transaction records to review prior to reconciliation.
- D. The Director reconciles (or approves after designee reconciles) the General, Operating, Environmental, and Building bank accounts, assuring that the bank statement reconciles with the hand-tallied ledger maintained by the Purchasing Agent.

II. Self Pay (Health Center Programs)

- A. After the completed Patient Encounter Form (except for the amount paid) has been entered into the system, the second Patient Encounter Form screen lists the services provided and the amount owed by the patient. In the space provided, enter amount paid, the number of bills/receipts to print, and transmit (Xmit). The system will print a bill/receipt. The employee who receives the payment documents type of payment, initials the bill/receipt, gives the original to the patient, and attaches the second copy to Encounter Form.
- B. All money received shall be secured in the cash box.
- C. Each day's bill/receipts shall be batched separately. A calculator tape shall be run of the payments received as listed on the bill/receipts at the end of the day.
- D. The day's actual receipts that are in the cash box shall be counted.
- E. The receipts total on Report #358 for that day shall be compared to the calculator tape total and to the actual receipts count. All three (3) amounts should agree. If donations have been received, also review the Report #319 and add the daily donations received from this report with the self-pay amounts from Report #358 and/or Report #319. If the total amounts do not agree, correct the errors and document on the Report #358. Send a copy of Report #358, Report #319 (if applicable), the calculator tape detailing receipts, a copy of any receipts, and the money to the (Administrative Staff) with the next delivery of mail.
- F. The account distribution amounts for the Self-Pay receipts are at the end of Report #358. These daily distributions are used to support the cash entries in the General Ledger. The Patient Encounter Forms (PEFs) and a copy of the #319 report shall be maintained for six (6) years after the Independent Financial Audit.

III. Medicaid Preventative Services Program

- A. Medicaid billing is automatically run twice a month. All services entered in the Patient Encounter Form system as of the billing run date are included in the billing. This may include 1-4 days of the next month.

B. The Medicaid Patient Scheduled Invoice Register Report #308 is available to each site when run. The Medicaid Claims Paid #432 is available to each site when the Medicaid payment tape is applied, to each Health Department's Medicaid A/R file.

C. The Medicaid payment tape may not match the Health Department A/R file for any of the following circumstances:

- The patient Medicaid number has changed between the time the service was rendered and the date the Medicaid payment is applied to the A/R file.
- Medicaid was billed by hand on a HCFA 1500 and the correct A/R information was not entered in time.
- A recoupment of a prior time period payment is involved.

Any necessary corrections to the A/R system must be made by the (LHD/Health Center) to reconcile the differences between the payment and A/R file (Example: service billed with 800 series number and payment received after new MA# received).

D. All denied Medicaid claims on each remittance report must be examined and the proper action taken on at least a monthly basis. When a denial necessitates re-submittal, the Administrative Staff at each (LHD/Health Center) will be responsible for re-submittals of MA denials.

E. If the patient or services were billed in error to Medicaid, correct the A/R system using CDP instructions.

F. Patients with retroactive Medicaid cards will be automatically billed to Medicaid when their Patient Encounter Form History File is updated to show Medicaid eligibility.

G. At the end of each month, the potential-eligibles Medicaid Report #375 is run for prior months which lists all patients and services that were entered as potentially eligible for Medicaid when their services were rendered. Review the patient's Medicaid eligibility to determine which prior services may be automatically billed to Medicaid by correcting the Patient Encounter Form History File. Those potentially eligible for Medicaid on Report #375 remain on the report until an action of eligibility or non-eligibility is performed, or the end of the FY.

H. The actual Medicaid payment is sent to the Department for Public Health. The payment is divided into the prior Medicaid payment amount, the local Trust and agency amount, and the State Trust and Agency amount. The Medicaid Payment Report #432 is sent to each Health Department monthly to reconcile the Medicaid remittance amounts with the payments sent to the Local Health Department by the Department for Public Health. This reconciliation is performed by the (Administrative Staff).

I. The A/R Aging Report #359 should be examined monthly by each (LHD/Health Center) clerk to take the necessary action on Medicaid A/R that are more than ninety (90) days old. These balances may be the result of errors in the resubmission of denied claims, final denial by Medicaid, differences in hand billing amounts, and payment amounts by Medicaid and other reasons. All must be acted upon and the proper entries made. Document reasons for any changes. The (Administrative Staff) will monitor aging reports for the (LHD/health centers) to ensure accuracy in any changes or corrections.

#### IV. Bad Debts

A. The monthly A/R Report #359 lists all unpaid balances. Self-pay balances that are \$10.00 or less, and more than six months old, will be automatically written off by the system. Each site will receive a listing of the bad debts written off on the A/R monthly Report #358. You may add back any of these bad debts from the A/R Report if there is a reasonable expectation of collection. Self-pay balances more than \$10.00 must be written off on an individual basis using the requirements in the Administrative Reference for Local Health Departments. All manual write-offs must be approved in writing by the (Administrative Staff) and Public Health Director.

#### V. Assurance of Manual Receipts for Money Received

Necessary information:

- 1) Date of receipt
- 2) Client name
- 3) Amount of receipt
- 4) Cost center
- 5) Type of receipt (i.e. self-pay, donation)

- 6) How paid
- 7) Employee signature

A. LHD/Health Centers: In the event that the computer system is down, issue manual receipts, and save for entry to data system, which should occur as soon as possible.

B. Environmental Services Receipts: Refer to Policy E-IC-1. Fees should be collected by (Administrative Staff). Pre-addressed and stamped envelopes may be issued in the field to clients or installers who wish to pay without coming into the Health Center. Environmentalists should not accept fees except temporary food service permit fees which may be collected by the Environmentalists in the field provided they are \$20.00 or less, or the risk of not being paid exceeds the risk of accepting the fee.

C. Receipt Forms: The appropriate application form as listed below is used to serve as receipt for payment.

- Application for permit to operate a food service establishment.
- Application for permit to operate a retail food market.
- Application for permit to operate a temporary food service establishment.
- Application for permit to operate a hotel or motel.
- Application for permit to operate a septic tank cleaning business.
- Application for permit to operate a septic tank cleaning vehicle.
- Application for site evaluation for onsite sewage disposal systems.
- Application for license for onsite sewage disposal system installers.
- Request for inspection of existing subsurface sewage.
- Disposal system and/or private water supply system.
- Application to license a youth camp.
- Application to license a frozen food locker.
- Application for permit to operate a mobile home park.
- Application for permit to construct or alter a mobile home park.
- Application for permit to operate a swimming pool.

Copy #1 (Original) goes to client.

Copy #2 Is retained by the (LHD/Health Center) Clerk to be returned to the environmentalist (yellow).

Copy #3 Is sent to the District Office (if applicable) with money attached via next day inter-district mail, or at least two (2) times per week. The (LHD/Health Center) Support Staff must run a calculator tape of each batch of environmental receipts and reconcile to the total cash to be sent.

Attach the calculator tape to the money and receipts.

#### VI. HIPAA Compliance

A. Any receipt source documentation shall be maintained in a secure manner, in accordance with HIPAA regulations.

---

**Public Health Director**

**Date**

---

**Chairperson, XXXXX Health Department**

**Date**

**Effective date** \_\_\_\_\_

**Reviewed** \_\_\_\_\_

**Reviewed** \_\_\_\_\_

**Reviewed** \_\_\_\_\_

**Reviewed** \_\_\_\_\_

## Sample Aging Report

### XXXXX HEALTH DEPARTMENT

DATE:

TO: \_\_\_\_\_ Health Director  
\_\_\_\_\_ Administrative Services Manager  
FROM: \_\_\_\_\_ Clinic/ Support Services Manager

### RE: Monthly Aging Report

*Request to write-off and/or adjustment to the following Payor Code Accounts that are either twelve (12) months or more past due, or have been determined non-reimbursable through listed payor source in the A/R.*

LHD Name	# of Invoices	12 mo. Overdue amt./non-reimbursable	Approved	Denied
Payor Code 1 (Self-Pay)				
Payor Code 2 (Medicaid)				
Payor Code 3 (Medicare)				
Payor Code 8 (Contract)				
Payor Code 9 Insurance)				
<b>TOTAL</b>				

\_\_\_\_\_  
Director of Administrative Services

\_\_\_\_\_  
Date

\_\_\_\_\_  
Public Health Director

\_\_\_\_\_  
Date

*This example can be used to assist you in establishing a standard procedure for the collection and management of receipts, to include write-offs, to ensure adequate and appropriate internal control measures.*

## LHD CONTRACTS

(updated June 10, 2010)

- A. **One of the powers of LHDs is to contract for services not otherwise available ([KRS 212.245](#))**. All funds of the local health department must be used for the operation of the health department. Contracts that fund the operation of programs in other agencies are not allowable. Further guidance is provided in 902 KAR 8:170.

### 1. **Contract Basics:**

- a. There are three factors necessary to create a contract: 1) an offer, 2) acceptance, and 3) consideration.
- b. When writing a contract, remember a central principle to contract law: **any ambiguities or uncertainties will be resolved against the writer**.
- c. For CH-52 contracts as related to Payor Code 8: LHDs have the option to contract with other public or private entities to provide needed health services (<http://www.lrc.ky.gov/kar/902/008/170.htm>). Billing/Payor Code 8 contracts should **never** be with an individual, unless the individual is the public or private entity. The CH-52 is the DPH provided standardized contract template to be used and completed annually each fiscal year. LHDs may negotiate service rates with the contractor. Local health departments will need to assure the costs of contracted services are covered. Federal and state funding should not be used to cover these contracted service costs.

Health Insurance Portability and Accountability Act (HIPAA) Business Associate Agreements (BAA) should also be completed with the initial Billing/Payor Code 8 contract; however, they would not need to be redone each year unless there is a significant change to the BAA. Billing/Payor Code 8 contracts shall be completed prior to providing the needed health services agreed upon.

LHDs will be allowed to over-ride rates and enter them in the charge (Chrg/Qty) field, **if** the negotiated rate is greater than the DPH service file assigned rate, without submitting a written request to over-ride charges to Administration and Financial Management. A rate is required for services rendered and an appropriate audit trail should be documented. Invoices **shall not** be setup as "0".

### 2. **Personal Service Contracts:**

- a. Definition: Contracts for services of a professional or technical nature not available through the local health department merit system (902 KAR 8:170).
- b. The two types of Personal Service Contracts:
  - 1) Payroll/Employment Contract: Under common-law rules, anyone who performs services is an employee if you can control what will be done and how it will be done. IRS requires employment tax withholding/reporting whether employee is paid via contract, master agreement, petty cash, or standard payroll system.
  - 2) Independent Contract:
    - a) All Personal Service Contracts that are not employment contracts.

- b) The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work, not the means and methods of accomplishing the result. Since professionals, such as physicians, are always responsible for the means and methods of their practices, then there are special rules that are used to determine the independent contractor status of professionals.
- c) In drafting a contract, a decision shall be made concerning whether the provider of the service is an "independent contractor".

- 1) The Court of Appeals of Kentucky, now the Supreme Court of Kentucky, held in the case of The Courier Journal & Louisville Times Co. v. Akers 175 S. W. 2d page 350 that:

"One who is engaged in a distinct occupation or business, using his own means or instrumentalities in the execution thereof, and agrees to perform service for another according to his own method and manner, free from direction and control of the principal in all matters relating to the performance of the work, except as to result, is an 'independent contractor'."

- 2) There is no single test to easily determine the proper classification of workers. According to the IRS, the classification depends on the occupation and the factual context in which the services are performed.
- 3) Over the years, the IRS and the courts have developed 20 common law factors to consider in determining the proper classification of a worker.
  - a) The IRS has incorporated the 20 factors into a Form SS-8, which may be filed for a determination by the IRS of the proper classification. The 20 factors are following:

<b>Factor</b>	<b>Employee Characteristics</b>	<b>Independent Contractor Characteristics</b>
<b><i>Instructions</i></b>	Worker must comply with employer's instructions on when, where, and how to work.	Worker is accountable to employer for <b>results</b> of services, but generally not the methods.
<b><i>Training</i></b>	Employer provides training.	Worker uses his/her own methods and/or obtains his/her own training.
<b><i>Integration</i></b>	The success of continuation of the employer's business depends significantly upon the performance of the worker's services.	The worker's services are incidental or secondary in the employer's business.
<b><i>Services Rendered Personally</i></b>	Worker must render the services personally.	Services may be performed by the worker or by an agent, employee, or subcontractor of the worker.



<b>Factor</b>	<b>Employee Characteristics</b>	<b>Independent Contractor Characteristics</b>
<b><i>Hiring, Supervising, and Paying Assistants</i></b>	Employer is responsible for hiring, supervising, and paying assistants for the worker.	Worker provides the labor for services and is responsible for hiring, supervising, and paying assistants.
<b><i>Continuing Relationship</i></b>	Relationship is continuous and/or frequently recurring.	Term of relationship is finite.
<b><i>Set Hours of Work</i></b>	Employer establishes set hours of work.	Worker determines hours of work.
<b><i>Full Time Required</i></b>	Worker must devote substantially full time to the employer	Worker is free to work when and for whom he/she chooses.
<b><i>Work on Employer Premises</i></b>	Work is performed on the premises of the employer and/or the employer dictates a designated route, territory, or location.	Work may be performed off the premises of the employer, such as at the worker's own home or place of business.
<b><i>Order or Sequence</i></b>	Worker must perform services in the order or sequence set by the employer.	Worker may determine the order or sequence of services.
<b><i>Oral or Written Reports</i></b>	Worker must submit regular or written reports to the employer.	Regular reports are not required - the worker is only accountable for final results.
<b><i>Payment by Hour, Week, or Month</i></b>	Worker is paid based on time incurred in performance of services.	Worker is paid by the job or on a commission.
<b><i>Payment of Business Expenses</i></b>	Employer pays the worker's business and/or travel expenses.	Worker is responsible for his/her own business and/or travel expenses.
<b><i>Furnishing of Tools and Materials</i></b>	Employer furnishes significant tools, materials, and/or equipment.	Worker furnishes significant tools, materials, and equipment.
<b><i>Significant Investment</i></b>	Worker is dependent on employer for facilities used in the performance of services.	Worker invests in facilities used in the performance of services that are not typically maintained by employees.
<b><i>Realization of Profit or Loss</i></b>	Worker is compensated for time/efforts and does not realize a profit or suffer a loss as a result of the services.	Worker can realize a profit or suffer a loss as a result of services.
<b><i>Multiple Employers</i></b>	Worker performs substantially all services for one employer.	Worker performs services for multiple employers at the same time.
<b><i>Marketing Services to the Public</i></b>	Worker performs services exclusively for employer, possibly subject to non-compete agreements, etc.	Worker consistently offers similar services to the public.
<b><i>Right to Discharge</i></b>	Employer has the right to discharge the worker.	Worker cannot be discharged so long as he/she produces the results specified in the contract.
<b><i>Right to Terminate</i></b>	Worker has the right to terminate relationship without incurring liability.	Worker may be subject to penalties or other loss for premature termination of relationship.



- b) Potential costs of challenges to worker classification are:
  - 1) Noncompliance with IRS, Medicare, or Social Security regulations may result in liabilities for employment taxes, penalties, and interest;
  - 2) Noncompliance with Fair Labor Standards Act, federal or state unemployment regulations may result in minimum wage, overtime, and unemployment claims;
  - 3) Noncompliance with merit system regulations may result in back payments for employee benefits;
  - 4) Noncompliance with Workers Compensation regulations may result in possible assumption of liabilities for workers' job-related injuries, accidents, etc.;
  - 5) Noncompliance with federal and state unemployment laws may result in civil or criminal charges for violation of federal and state employment laws;
  - 6) Challenges of worker classification may result in litigation and settlement costs.
- c) Employee Identification Code categories E1, G3, L2, M1, M2, M3, M4, N2, N5, N6, N9, and S1 will be used for payroll contractors.
- d) Minor objectcodes 215, 217, 218, 219, 220, 221, 222, 225, 227, 229, 240, 241, 242, 255, 260, 265 will be used to identify independent contractors.

## B. Submission of Proposed Contracts to AFM

1. When to submit a contract to AFM:
  - a. Each proposed contract of \$10,000.00 or more must be prepared and submitted to the AFM in a computerized file.
  - b. Contracts must be prepared and executed on amounts less than \$10,000 when required by [902 KAR 8:170](#). These smaller contracts are to be maintained on file in the LHD for audit purposes and should not be forwarded to AFM; however a list of these contracts should submitted to AFM.
  - c. The proposed contracts are to be submitted to AFM in computerized format by May 15 each year by email to the Local Health Operations Branch.
  - d. Contracts **MUST** be prepared on the Microsoft Word contract template file for:
    - CH-50–Wildcard Associates
    - CH-51 – Personal Service/Employment Contract
    - CH-52 – LHD Contract to Provide Services
    - CH-53M – Personal Service/Independent Contract
    - CH-53M(a) – Amendment
    - CH-54 – LHD Audit Contract
  - e. If you have questions, please call (502) 564-6663
2. All proposed personal services contracts of \$10,000 or more with individuals (not companies or corporations) will be evaluated by Local Health Personnel.
  - a. If the contract is determined to be an employment contract and **if the services are available through the LHD merit system, the LHD will be instructed to obtain the services through the LHD Merit System.**
  - b. If the services are not available through the LHD merit system, the contract will be reviewed by AFM staff.

### 3. Content

- a. All information requested on the contract template forms must be supplied, including the contract maximum amounts, by contract section.
- b. The description of services to be provided must be sufficiently detailed to clearly describe the specific duties and responsibilities of both parties. (For example, see Mammography Provider Requirements in AR Volume I, Section IX: Service Descriptions/Guidelines.)
- c. The terms of the contract must indicate whether the patient or other third-party payer may be billed by the contractor for any part of the services provided under the contract.
- d. Omissions will result in a contract(s) being returned to the LHD, which may delay the effective date of the contract(s).
- e. Contracts must reflect service standards pertinent to the delivery of services.

### C. Explanation of Contract Numbering System

1. For Independent and Employment Contracts:
  - a. All contracts shall be numbered using the current fiscal year end, the Local Health Department Identification Codes (HID#), and the Patient Services Reporting System (PSRS) Class Identification Number in the space provided on the contract forms. The first two digits of the contract ID# represent the last two digits of the fiscal year end. For example, FY 00-01 would be designated 01. Digits 3 – 5 represent the HID#. A list of the HID#'s can be found at the end of the Contract Numbering System section.
  - b. When saving the computerized files, use the HID# and the PSRS Class Identification Number as the file name.
  - c. Contracts will be returned for correction if the file numbering system is not utilized.
2. For Employment Contracts:
  - a. Digits 6-7 represent the Employee class categories (MO) for payroll contract expenditures. General [Classification Codes](#) are listed in the PSRS.
  - b. Digits 8-10 represent the individual portion of the Employee Class ID# (ID).
  - c. Employee class ID# for each employment contractor must be assigned by the Local Health Operations Branch. Contact the LHO Branch at (502) 564-6663 to obtain this number.
  - d. **Note:** It is LHD Merit System guideline that part-time employees (less than 100 hours) cannot supervise.
3. For Independent Contracts:
  - a. Digits 6-7 represent the minor object code for independent contracts.
  - b. Digits 8-10 represent the individual portion of the Contract Class ID# (ID).
  - c. Minor object codes can be obtained from the [Chart of Accounts](#) found within this section.
  - d. For services that are to be entered in PSRS, only minor object codes from 201 to 260 may be used for this part of the contract number. Do not use the 301 to 315 minor object codes.
  - e. For the contracts that do not involve services reported in the PSRS, any applicable minor object code may be used.

#### **D. Third-Party Billing**

1. You must indicate on each independent contract or on each contract section of the CH-53M if the contractor is authorized to bill third parties for all services included in the contract or section.
2. Attach Medicaid Statement of Authorization (CH-55) for each medical provider under a contract that is billable to Medicaid.

#### **E. Contracts not exceeding \$5,000 and \$10,000**

1. Written contracts are not required for provider's medical and dental services that do not exceed \$5,000 with independent contractors. This will include providers who do 201, 202, 204, 205, 211, 215, 217, 220, 221, 222, 225, 227, 245, 250, and 260 services.
  - a. If a contracting medical professional is a governing board of health member, then an automatic exception to the conflict of interest provision of the contract policies is made if the annual amount will not exceed \$2,000. Contracts exceeding \$2,000 must be approved by the Commissioner of the Department for Public Health before any payments will be processed.

If a contract is proposed with a governing board of health member for more than \$2,000, a letter or justification indicating the necessity and rationale for contracting with a board member must be submitted to the Commissioner of the DPH in conjunction with the proposed contract.

- b. If an exception for such a contract has been previously granted and circumstances surrounding the need for the contract have not changed, a letter indicating this situation is all that is necessary.

#### **F. Review/Approval of Contracts**

The contract information page with Cabinet for Health and Family Services review will be returned to the LHD to signify that the contract has been reviewed.

#### **G. Technical Assistance**

Questions or concerns regarding LHD contract procedures should be addressed to the Local Health Operations Branch (502) 564-6663.

LOCAL HEALTH DEPARTMENT IDENTIFICATION CODES		
LOCAL HEALTH DEPARTMENT		HID
ALLEN COUNTY		102
ANDERSON COUNTY		103
BOURBON COUNTY		109

<b>BOYD (ASHLAND-BOYD) COUNTY</b>	<b>110</b>
<b>BOYLE COUNTY</b>	<b>111</b>
<b>BRACKEN COUNTY</b>	<b>112</b>
<b>BREATHITT COUNTY</b>	<b>113</b>
<b>BRECKINRIDGE COUNTY</b>	<b>114</b>
<b>BULLITT COUNTY</b>	<b>115</b>
<b>CHRISTIAN COUNTY</b>	<b>124</b>
<b>CLARK COUNTY</b>	<b>125</b>
<b>ESTILL COUNTY</b>	<b>133</b>
<b>FAYETTE (LEXINGTON-FAYETTE) COUNTY</b>	<b>134</b>
<b>FLEMING COUNTY</b>	<b>135</b>
<b>FLOYD COUNTY</b>	<b>136</b>
<b>FRANKLIN COUNTY</b>	<b>137</b>
<b>GARRARD COUNTY</b>	<b>140</b>
<b>GRAVES COUNTY</b>	<b>144</b>
<b>GREENUP COUNTY</b>	<b>145</b>
<b>HOPKINS COUNTY</b>	<b>154</b>
<b>JEFFERSON (LOUISVILLE METRO) COUNTY</b>	<b>156</b>
<b>JESSAMINE COUNTY</b>	<b>157</b>
<b>JOHNSON COUNTY</b>	<b>158</b>
<b>KNOX COUNTY</b>	<b>161</b>
<b>LAUREL COUNTY</b>	<b>163</b>
<b>LAWRENCE COUNTY</b>	<b>164</b>
<b>LEWIS COUNTY</b>	<b>168</b>
<b>LINCOLN COUNTY</b>	<b>169</b>
<b>MADISON COUNTY</b>	<b>176</b>
<b>MAGOFFIN COUNTY</b>	<b>177</b>
<b>MARSHALL COUNTY</b>	<b>179</b>
<b>MARTIN COUNTY</b>	<b>180</b>
<b>MERCER COUNTY</b>	<b>184</b>
<b>MONROE COUNTY</b>	<b>186</b>
<b>MONTGOMERY COUNTY</b>	<b>187</b>
<b>MUHLENBERG COUNTY</b>	<b>189</b>
<b>OLDHAM COUNTY</b>	<b>193</b>
<b>PIKE COUNTY</b>	<b>198</b>
<b>POWELL COUNTY</b>	<b>199</b>
<b>TODD COUNTY</b>	<b>210</b>
<b>WHITLEY COUNTY</b>	<b>218</b>
<b>WOODFORD COUNTY</b>	<b>220</b>

<b>LINCOLN TRAIL DISTRICT</b>		<b>302</b>
<b>BARREN RIVER DISTRICT</b>		<b>303</b>
<b>PURCHASE DISTRICT</b>		<b>304</b>
<b>NORTH CENTRAL DISTRICT</b>		<b>305</b>
<b>LAKE CUMBERLAND DISTRICT</b>		<b>309</b>
<b>NORTHERN KENTUCKY DISTRICT</b>		<b>310</b>
<b>LITTLE SANDY DISTRICT</b>		<b>311</b>
<b>KENTUCKY RIVER DISTRICT</b>		<b>312</b>
<b>CUMBERLAND VALLEY DISTRICT</b>		<b>313</b>
<b>GREEN RIVER DISTRICT</b>		<b>314</b>
<b>WEDCO DISTRICT</b>		<b>315</b>
<b>GATEWAY DISTRICT</b>		<b>316</b>
<b>THREE RIVERS DISTRICT</b>		<b>317</b>
<b>PENNYRILE DISTRICT</b>		<b>318</b>
<b>BUFFALO TRACE DISTRICT</b>		<b>321</b>

## INTERNAL CONTROLS

Internal controls are a management tool to provide assurance that organization funds and assets are being controlled and used for the purposes intended. Internal control procedures are necessary to demonstrate that due diligence has been addressed in managing the affairs of any LHD. Smaller organizations have a higher risk due to a lesser ability to distribute duties.

[902 KAR 8:165](#), Section 3, governs Internal Control Procedures, and Section 4 addresses Incorporation by Reference.

An outline that can be used for developing an internal control manual is listed on the following page. It is not all inclusive. You may also reference [Finance and Administration Cabinet](#) and the [Cabinet for Health and Family Services](#) websites for Cash Handling procedures.

## INTERNAL CONTROL PROGRAM OUTLINE

### **Purpose:**

To establish goals of the XXXXX Health Department's Internal Control Program, to identify written policies that exist to demonstrate accountability, to ensure efficient financial and operational management, and to assure the security of resources.

### **Internal Control Policy:**

The XXXXX Health Department will have an effective Internal Control Program in place to protect public funds, public property, and provide assurance to the XXXXX Board of Health and the citizens of XXXXX County/District that operations are in accordance with legal, regulatory, ethical, and generally accepted accounting practices and the requirements of the Kentucky Department for Public Health.

### **Procedure:**

1. The XXXXX Health Department adheres to the policies and procedures outlined in the "Administrative Reference for LHDs in Kentucky", dated XXXXX, including collective updates and changes. XXXXX HD will adhere to revisions of this reference and new and revised KAR/KRS's. The ADMINISTRATIVE REFERENCE creates uniformity in operations of Kentucky's LHDs by presenting a standard chart of accounts, a cash accounting system, and budgeting processes that are mandated by state regulations.
2. XXXXX HD meets all applicable federal regulations governing programs it operates.
3. The Internal Control Program has XXXX goals. Each of the individual policies that make up the Internal Control Program will be developed and revised keeping these goals in mind.

The program is meant to:

- a. Safeguard the assets of the Health Department;
- b. Promote operation efficiency by serving as a guidebook;

- c. Check accuracy and reliability of systems data; and
- d. Ensure adherence to prescribed managerial policies.
- 4. XXXXX Health Department's internal control procedures will allow for proper receipt of revenues and proper payment of all necessary, approved expenditures. It will also help prevent and detect errors, fraud, or unnecessary losses.
- 5. The LHD's Internal Control Program should be a guide to instruct employees in proper internal procedures. The internal control program should be tailored to fit the needs of the XXXXX Health Department.
- 6. The LHD Internal Control Program is a subset of the general policies and procedures of the XXXXX Health Department. The annual review/revisions will be presented to the XXXXX County/District Board of Health for approval. The LHD Internal Control Program consists of the following individual policies: *(Each LHD should, at minimum, include policies for the items shown below. Additional policies should be added as needed by the LHD.)*

- 1 Internal Security Program – General overview.
- 2 Board of Health – Lists oversight responsibilities.
- 3 Organization Chart – Lists chain of command.
- 4 Policies and Procedures.
- 5 Closing Office, End of Day – Building security.
- 6 Chart of Accounts
- 7 Board Approval of Operating Budget – Board oversight.
- 8 Financial Reporting.
- 9 Insurance and Fidelity Bonds – To protect assets.
- 10 Cash Management, Bank Accounts, Deposits, and Security of Funds.
- 11 Checks and Authorized Signatures – Controls over check disbursements.
- 12 Segregation of Key Duties – Separation of functions.
- 13 Annual Audit
- 14 Petty Cash and Change Funds – Controls over cash.
- 15 Payroll and Timesheets – Controls over payroll.
- 16 Travel and Other Related Expenses – Controls over travel.
- 17 Accounts Payable
- 18 Home Health Revenue Procedures – Controls over Home Health receipts.
- 19 Environmental Fee Revenue Procedures – Controls over Environmental receipts.
- 20 Clinic Revenue Procedures – Controls over clinic receipts.
- 21 Timed Deposits – Controls over CDs, savings and investment instruments.
- 22 WIC Voucher Distribution – Controls over WIC vouchers.
- 23 Purchase Procedures – Controls over who can purchase, how, etc.
- 24 Supply Inventories – Controls over supply inventories.
- 25 Equipment Inventory – Control over equipment.
- 26 Aspects of Internal Controls Pertaining to Human Resources.
- 27 Contracts and Contractual Services – Controls over contracts.
- 28 Purchase Orders – Controls over processing POs.
- 29 Telephones and Fax Machines.
- 30 Cellular Phones
- 31 Pagers
- 32 Fleet Automobiles

- 33 Red Flag
- 34 The Health Insurance Portability and Accountability Act (HIPAA)
- 35 Limited English Proficiency (LEP)



**LOCAL HEALTH DEPARTMENT  
CHART OF ACCOUNTS  
COST CENTERS**

- 500    FOOD** – Used to charge all allowable direct expenditures made for the programs defined by the Division of Public Health Protection and Safety that are included in this Cost Center. *(Limited Food Concessions, Temporary Food Service Establishments, Food Service Establishments, Vending Machine Companies, Retail Food Establishments, Bed & Breakfast, Food-borne Diseases, Retail Food Stores, Produce and Farmers Market, Food Handlers, Food Managers, Food Processing or Storage Establishments, Frozen Food Lockers, Raw Agriculture Sump., Drugs Quarantine)*
- 520    PUBLIC FACILITIES** – Used to charge all allowable direct expenditures made for the programs defined by the Division of Public Health Protection and Safety that are included in this Cost Center. *(Hotels or Motels, Boarding Homes, Mobile Home/Recreational Vehicle Parks, Public Buildings/Recreation Facilities, Tattoo Studios, Schools, Septic Tank Cleaning Vehicles, Septic Tank Disposal Sites, Ear Piercing, Body Piercing, Confinement Facilities, Youth Camps, Lead, Swimming Pools General, Private Swimming Pools, Swimming Areas, Beaches)*
- 540    GENERAL SANITATION** – Used to charge all allowable direct expenditures made for the programs defined by the Division of Public Health Protection and Safety that are included in this Cost Center. *(Private Water, Nuisance Control, Grass and Weeds, Housing, Vectors, Mosquito Control, Birds, Insects, Rodent Control, Rabies)*
- 560    ON-SITE SEWAGE** –Used to charge all allowable direct expenditures made for the programs defined by the Division of Public Health Protection and Safety that are included in this Cost Center. *(Electrical Permits, Onsite Sewage Disposal, Wetland Testing, Private Sewage)*
- 580    RADIATION AND PRODUCT SAFETY** – Used to charge all allowable direct expenditures made for the programs defined by the Division of Public Health Protection and Safety that are included in this Cost Center. *(Consumer Product Safety, Toxic Substances, Radiation Control, Radon, Tanning Bed/Booth Facility)*
- 590    SPECIAL PROJECT (ENVIRONMENTAL)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source. *(Streams and Lakes, Potable Water General, Public Water Supply, Water Transport Vehicles, Non-Hazardous Waste, Hazardous Waste, Hazardous Material Spills, Solid Waste Management, Environmental Protection, Waste Water Treatment Plant, Occupational Health, Smoking Enforcement, Other Environmental)*
- 591    SPECIAL PROJECT (RADON)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 592    SPECIAL PROJECT (ENVIRONMENTAL)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.

- 593 **SPECIAL PROJECT FOOD MANUFACTURING** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 594 **SPECIAL PROJECT (UIC-CLASS V WELLS)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 595 **SPECIAL PROJECT (WEST NILE VIRUS)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 598 **STORM 2009 – STATE RESPONSE** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 599 **STORM 2009 – LOCAL RESPONSE** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 700 **ALL PREVENTIVE – PRES/PROB VISITS** - All allowable expenditures (provider related only and only to the extent included in the Medicare resource based relative value determination) made to provide the following are directly charged to this Cost Center: Patient Evaluation and Management Services, Surgery and Medicine procedures as defined by the American Medical Association Physicians Current Procedural Terminology (CPT) edition. Also includes authorized Health Care Financing Administration Common Procedure Coding System (HCPCS) Level II procedures and authorized HCPCS Level III procedures. Health Department Procedural Terminology (HDPT) services and procedures are also included.
- Providers are physicians, mid-level practitioners, nurses, nutritionists, social workers acting as health educators, and therapists. Other staff are included as providers for time spent rendering services that are reportable in the PSRS. Examples of reportable services by support staff include safety seat loans or food instrument issuance.
- Expenditures that are charged to minor objects 302 – 315 and 205 are excluded and should be charged directly to the applicable 800 – 817 Cost Center. Expenditures for clinical training benefitting a single Cost Center are excluded and should be charged directly to the applicable 800 – 817 Cost Center. AIDS/HIV only anonymous services are excluded and should be charged directly to 842
- 712 **DENTAL SERVICES** – All direct expenditures made to provide dental visits either in-house or contracted.
- 715 **PHARMACY DRUGS** – All direct expenditures made to operate a licensed pharmacy in the health department.
- 718 **LAB/TESTING/RADIOLOGY** – All expenditures made to process Radiology/Pathology/Laboratory tests in a health department. This includes expenditures for both the technical and professional components of Radiology/Pathology/Laboratory tests provided by outside laboratories and professionals. Expenditures for independent contractors in minor object codes 302 –315 and for environmental laboratory tests are excluded. Expenditures for Rad/Path/Lab training that benefits a single Cost Center are excluded and should be charged directly to the applicable 800 – 817 Cost Center.
- 722 **ASTHMA EDUCATION** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.

- 723 **OSTEOPOROSIS PREVENTION & EDUCATION** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 724 **BALANCING INTAKE & EXPENDITURES (BITE)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 725 **FIRST STEPS STIMULUS** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 726 **H1N1 (SWINE)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 727 **NAP SACC GRANT** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 728 **DIABETES DISEASE MANAGEMENT** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 729 **FLOOD RELIEF** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 730 **BREAST CANCER RESEARCH & EDUCATION TRUST FUND** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 731 **H1N1 II (SWINE)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 732 **DIABETES DISEASE MANAGEMENT II** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 733 **CERTIFIED REGISTERED NURSE AIDE CLASSES** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 734 **SPECIAL PROJECT – BREAST-FEEDING** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 800 **PEDIATRIC/ADOLESCENT SERVICES & OUT/FOLLOW** – Expenditures made for group activities reported in the Patient Services Supplemental Reporting System; reportable disease activities; identification, prevention, and control of outbreaks and epidemics including rapid response activities;; training and assistance; and management of these activities are directly charged to this Cost Center. Also includes expenditures for prescription drugs from pharmacies (minor object code 358). (Excludes activities specifically listed in Cost Centers 802 – 809.)

All expenditures made to provide pediatric/adolescent personal health and Radiology/Pathology/Laboratory services will be allocated to this Cost Center from the 700 and 718 Cost Centers.

- 801 CHILDHOOD IMMUNIZATION** – Expenditures made to provide non-personal health Community Immunization Services as required in the annual Immunization grant application to the Federal Centers for Disease Control and Prevention.
- 802 FAMILY PLANNING SERVICES & OTHER SERVICES/ACTIVITIES** – Expenditures made for Family Planning group activities reported in the Patient Services Supplemental Reporting System; training and assistance; and management of these activities will be directly charged to this Cost Center. Also, anesthesia (minor object code 205), sterilization expenditures (minor object code 312), and contraceptives (minor object code 362) will be directly charged to this Cost Center.
- All expenditures made to provide Family Planning Personal Health Services and Radiology/Pathology/Laboratory will be allocated to this Cost Center from the 700 and 718 Cost Centers.
- 803 MATERNITY SERVICES & OTHER SERVICES/ACTIVITIES** – Expenditures for maternity classes and their management will be directly charged to this Cost Center. Also, expenditures for anesthesia (minor object 205), delivery and related services (minor object 303), and newborn assessment/circumcision services (minor object 306) will be directly charged to this Cost Center.
- All expenditures made to provide Maternity Personal Health Services and Radiology/Pathology/Laboratory will be allocated to this Cost Center from the 700 and 718 Cost Centers.
- 804 WIC VISITS & OTHER ACTIVITIES** – Expenditures for WIC vendor related activities, group nutrition and breast-feeding counseling, and other WIC activities not related to individual patient visits will be directly charged to this Cost Center.
- All expenditures made to provide WIC screening, enrollment, certification visits, food instrument issuance/electronic benefit transfer (EBT), personal nutrition education, and personal breast-feeding education services and lab tests associated with these visits will be allocated to this Cost Center from the 700 and 718 Cost Centers.
- 805 NUTRITION** – Expenditures for group activities reported in the Patient Services Supplemental Reporting System; training and assistance; and management of these activities will be directly charged to this Cost Center.
- All expenditures made to provide personal nutrition counseling services will be allocated to this Cost Center from the 700 and 718 Cost Centers.
- 806 TUBERCULOSIS VISITS & OTHER ACTIVITIES** – Expenditures for Tuberculosis reportable disease activities; identification, prevention and control of outbreaks and epidemics; TB group activities reported in the Patient Services Supplemental Reporting System; training and assistance; and management of these activities will be directly charged to this Cost Center.
- All expenditures made to provide Tuberculosis Personal Health Services and Radiology/Pathology/Laboratory will be allocated to this Cost Center from the 700 and 718 Cost Centers.
- 807 SEXUALLY TRANSMITTED DISEASE VISITS & OTHER ACTIVITIES** – Expenditures for STD reportable disease activities; identification, prevention and control of outbreaks and epidemics; STD group activities reported in the Patient Services Supplemental

Reporting System; training and assistance; and management of these activities will be directly charged to this Cost Center.

All expenditures made to provide STD Personal Health Services and Radiology/Pathology/Laboratory will be allocated to this Cost Center from the 700 and 718 Cost Centers.

- 808 KY EARLY INTERVENTION SERVICES** – Expenditures for KEIS (First Steps) activities reported in Patient Services Supplemental Reporting System will be directly charged to this Cost Center.

All expenditures made to provide Kentucky Early Intervention Personal Health Services will be allocated to this Cost Center from the 700 Cost Center.

- 809 DIABETES** – Expenditures for diabetes group activities reported in the Patient Services Supplemental Reporting System; training and assistance; approved community diabetes activities, and management of these activities will be directly charged to this Cost Center.

All expenditures made to provide Diabetes Personal Health Services and Radiology/Pathology/Laboratory will be allocated to this Cost Center from the 700 and 718 Cost Centers.

- 810 ADULT SERVICES & FOLLOW CARE**– Expenditures made for Adult group activities reported in the Patient Services Supplemental Reporting System; reportable disease activities; identification, prevention and control of outbreaks; training and assistance; and management of these activities will be directly charged to this Cost Center. (Excludes activities specifically listed in Cost Centers 802 – 809 and 811 – 813.)

All expenditures made to provide adult personal health and radiology/pathology/laboratory services will be allocated to this cost center from the 700 and 718 Cost Centers.

- 811 SPECIAL PROJECT LEAD SERVICES** – All expenditures made for this project as defined by the funding sources.

- 812 SPECIAL PROJECT SERVICES & OTHER** - All expenditures made for this project as defined by the funding sources.

- 813 BREAST AND CERVICAL CANCER** – Expenditures for Breast and Cervical Cancer group activities reported in the Patient Services Supplemental Reporting System; training and assistance; and management of these activities will be directly charged to this Cost Center. Also, expenditures for mammogram follow-up services (minor object 304), pap smear follow-up services (minor object code 305), and initial mammogram services (minor object code 308), will be directly charged to this Cost Center.

All expenditures made to provide Breast and Cervical Cancer Personal Health Services and Radiology/Pathology/Laboratory will be allocated to this Cost Center from the 700 and 718 Cost Centers.

- 814 FEDERAL HEALTHY START** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.

- 815 **BIOTERRORISM** – Used to charge all non-Bioterrorism activities as defined by the funding source.
- 816 **MCH NEEDS ASSESSMENT FORUM** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 817 **METHADONE** – Used to charge all Methadone activities as defined by the funding source.
- 818 **799 COMMUNITY** – Expenditures for approved community based activities for Pediatrics/Adolescents; Family Planning including CBEI and Special Initiatives; Maternity; Medical Nutrition; Adult Services; Dental; School Health; and the training, planning and management of these activities will be directly charged to this Cost Center.
- 821 **BIO-FOCUS A - PREPAREDNESS COORDINATION:** Preparedness Planning and Readiness Assessment - Preparation of the local and regional preparedness plans for bioterrorism, other outbreaks of infectious disease, and response to other public health emergencies.
- 822 **BIO-FOCUS B - EPIDEMIOLOGY/SURVEILLANCE:** Surveillance and Epidemiology Capacity - LHD's design, enhance, and develop systems for detection and response to bioterrorism and other outbreaks through the establishment of epidemiological capacity to investigate and mitigate such outbreaks.
- 823 **BIO-FOCUS E - MEDICAL RESERVE CORP:** Health Alert Network/Communications and Information Technology - Enable LHD's to establish and maintain a network for exchange of key information, training and the insurance of protection of data to respond to bioterrorism and other public health emergencies.
- 824 **BIO-FOCUS F - EXERCISE & TRAINING:** Communicating Health Risks and Health Information Dissemination - Ensure that state and local public health organizations develop capacity for timely information dissemination on bioterrorism activities and other public health emergencies.
- 825 **BIO-FOCUS G - TRAINING COORDINATION:** Education and Training - Assessment of training needs of key personnel including infectious disease specialists, emergency personnel and other healthcare providers to ensure preparedness for responses to bioterrorism and other public health emergencies.
- 826 **SPECIAL PROJECT (MEDICAL)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 827 **SPECIAL PROJECT (MEDICAL)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 828 **SPECIAL PROJECT (MEDICAL)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.
- 829 **SPECIAL PROJECT (MEDICAL)** – Used to charge all allowable direct expenditures made for this Cost Center as defined by the funding source.



- 830 **CANCER COALITION** – All expenditures made for cancer coalition activities as defined by the federal funding source.
- 831 **SPECIAL PROJECT (MEDICAL)** – Cost Center reserved for local special project that does not have a personal health component.
- 832 **HEART DISEASE & STROKE** – All expenditures made for Heart Disease & Stroke as defined by the Division of Adult & Child Health.
- 833 **SPECIAL PROJECT – BREAST-FEEDING (WIC)** – All expenditures for specified breast-feeding grantees in agencies designated by the WIC State Office will be charged to this Cost Center. The expenditures will be for breast-feeding promotion activities to increase the breast-feeding rate. Expenditures will not be for direct one-on-one services to WIC participants.
- 834 **SPECIAL PROJECT (MEDICAL)** – Cost Center reserved for local special project that does not have a personal health component.
- 835 **SPECIAL PROJECT (MEDICAL)** – Cost Center reserved for local special project that does not have a personal health component.
- 836 **SPECIAL PROJECT TOBACCO** – All expenditures made for a tobacco education/consultation program (community) that does not have a personal health component.
- 837 **SPECIAL PROJECT ABSTINENCE** – All expenditures made for an abstinence education/consultation program (community) that does not have a personal health component.
- 838 **SPECIAL PROJECT (MEDICAL)** – Cost Center reserved for local special project that does not have a personal health component.
- 839 **SPECIAL PROJECT (MEDICAL)** – Cost Center reserved for local special project that does not have a personal health component.
- 840 **SPECIAL PROJECT – KY INITIATIVE** – Cost Center reserved for local special project that does not have a personal health component.
- 841 **FEDERAL DIABETES TODAY** - All expenditures made for Diabetes Today activities as defined by the federal funding source.
- 842 **SPECIAL PROJECT (HIV COUNSELING AND TESTING SERVICES)** – All expenditures made to provide anonymous HIV counseling services and related lab tests will be directly charged to this Cost Center.
- 843 **SPECIAL PROJECT (HIV PREVENTION AND PLANNING)** – All expenditures made for an HIV Prevention and Planning project as defined by the Division of Epidemiology and Health Planning.

- 844 **SPECIAL PROJECT (STATE CARE COORDINATOR AND CONSORTIA)** - All expenditures made for a State Care Coordinator or Consortia project as defined by the Division of Epidemiology and Health Planning.
- 845 **SPECIAL PROJECT (RYAN WHITE SERVICES)** – All expenditures made for a Ryan White Services project as defined by the Division of Epidemiology and Health Planning.
- 846 **SPECIAL PROJECT (DENTAL FIELD STAFF)** – All expenditures made for a Dental Field Staff project as defined by the Division of Maternal and Child Health.
- 847 **SPECIAL PROJECT (DENTAL HEALTH EDUCATION)** – All expenditures made for a Dental Health Education project as defined by the Division of Maternal and Child Health.
- 848 **SPECIAL PROJECT HEALTHY START IN CHILD CARE** – All expenditures made for a Healthy Start in Child Care project as defined by the Division of Maternal and Child Health.
- 849 **SPECIAL PROJECT (DEVELOPMENTAL EVALUATION)** – All expenditures made for a Developmental Evaluation project as defined by the Division of Maternal and Child Health.
- 850 **SPECIAL PROJECT PANDEMIC FLU MRC** – All expenditures made for a Pandemic Flu MRC project as defined by the Division of Maternal and Child Health.
- 851 **SPECIAL PROJECT PANDEMIC FLU**– All expenditures made for a Pandemic Flu MRC project as defined by the Division of Maternal and Child Health.
- 852 **SPECIAL PROJECT (RESOURCE PERSONS)** – All expenditures made for a Resource Persons project as defined by the Division of Maternal and Child Health.
- 853 **SPECIAL PROJECT HANDS**– All expenditures made for a HANDS project as defined by the Division of Maternal Child Health and the Department for Medicaid Services.
- 854 **SPECIAL PROJECT (WIC MONITOR)** – All expenditures made for a WIC field staff project as defined by the state WIC office.
- 855 **SPECIAL PROJECT (LEAD TRAINING)** – All expenditures made for this project as defined by the funding sources.
- 856 **SPECIAL PROJECT (ARTHRITIS)** – Expenditures for group activities reported in the Patient Services Supplemental Reporting System. Training, assistance; and management of these activities will be directly charged to this Cost Center.
- 857 **SPECIAL PROJECT (PHYSICAL ACTIVITY)** – Expenditures for group activities reported in the PSRS. Training, assistance; and management of these activities will be directly charged to this Cost Center.
- 858 **SUPPLEMENTAL SCHOOL HC** – All expenditures made in schools or school associated centers for group activities reported in the Patient Services Supplemental Reporting System and for school activities that are not included in other projects.



- 859 **SPECIAL PROJECT - RESERVED** – Cost Center reserved for local special project that does not have a personal health component.
- 860 **SPECIAL PROJECT (HOME HEALTH)** – All expenditures made for this project as defined by the funding sources.
- 861 **HOME HEALTH** – All expenditures made for this project as defined by Medicare and Medicaid.
- 862 **SPECIAL PROJECT (HOME HEALTH)** – All expenditures made for this project as defined by the funding sources.
- 863 **HOME HEALTH SERVICES FOR THE MEDICALLY INDIGENT** – All expenditures made for this project as defined by the Division of Maternal and Child Health.
- 864 **HOME HEALTH HIGH RISK INFANT ASSESSMENT** – All expenditures made for this project as defined by the funding source.
- 865 **SPECIAL PROJECT (HOME HEALTH EPSDT)** – All expenditures made for this project as defined by the Department for Medicaid Services.
- 866 **SPECIAL PROJECT (HOME HEALTH)** – All expenditures made for this project as defined by the funding source.
- 867 **SPECIAL PROJECT (HOME HEALTH IN-HOME CARE)** – All expenditures made for this project as defined by the funding source.
- 868 **HOME AND COMMUNITY WAIVER SERVICES** – All expenditures made for this project as defined by the Medicaid Home and Community Based Service Waiver Program Manual.
- 869 **HOSPICE** – All expenditures made for this project as defined by Medicare and Medicaid regulations.
- 870 **SPECIAL PROJECT – (HANDS PROG ADM CONTRACT)** – All expenditures made for this project as defined by the funding source.
- 871 **SPECIAL PROJECT – OTHER** – Cost Center reserved for local special project that does not have a personal health component.
- 872 **SPECIAL PROJECT - OTHER** – Cost Center reserved for local special project that does not have a personal health component.
- 873 **SPECIAL PROJECT –OTHER**– Cost Center reserved for local special project that does not have a personal health component.
- 874 **SPECIAL PROJECT - OTHER** – Cost Center reserved for local special project that does not have a personal health component.
- 875 **SPECIAL PROJECT (OTHER)** –Cost Center reserved for local special project that does not have a personal health component.

- 876 **SPECIAL PROJECT - OTHER** – Cost Center reserved for local special project that does not have a personal health component.
- 877 **SPECIAL PROJECT - OTHER** – Cost Center reserved for local special project that does not have a personal health component.
- 878 **SPECIAL PROJECT – HANDS COORDINATOR** – Cost Center reserved for local special project that does not have a personal health component.
- 879 **SPECIAL PROJECT (K-CHIP)** – All expenditures made for this project as defined by AFM.
- 880 **SPECIAL PROJECT (OTHER)** - All expenditures made for this project as defined by the funding source.
- 881 **SPECIAL PROJECT (OTHER)**. Cost Center reserved for local special project that does not have a personal health component.
- 882 **MEDICAID MANAGED CARE** – All expenditures made to provide non-clinical services under Medicaid Managed Care partnership contracts.
- 883 **EPSDT VERBAL NOTIFICATION OUTREACH** – All expenditures made for EPSDT verbal notification/outreach activities as defined in the Memorandum of Agreement between the Department for Medicaid Services and the DPH.
- 884 **MOMMY AND ME** – All expenditures made for this project as defined by Passport Regional Medicaid Managed Care.
- 885 **SPECIAL PROJECT** - All expenditures made for this project as defined by the funding sources.
- 886 **SPECIAL PROJECT - OTHER** – Cost Center reserved for local special project that does not have a personal health component.
- 887 **SPECIAL PROJECT - OTHER** – Cost Center reserved for local special project that does not have a personal health component.
- 888 **CAPITAL CONSTRUCTION** - All expenditures made for this project as defined by the AFM's Local Health Budget Section.
- 889 **SPECIAL PROJECT** – Cost Center reserved for local special project that does not have a personal health component.
- 890 **CORE PUBLIC HEALTH ASSESSMENT AND POLICY DEVELOPMENT**- All expenditures made for vital records, identification of community risk, analysis of health trends, accreditation, and other Core Public Health Assessment activities not included in another Cost Center. Also includes community based assessment and planning, modification of state and federal initiatives, information sharing, disaster plans and evaluation, and other Core Public Health Policy Development activities not included in another Cost Center.

- 892 **MINOR RESTRICTED** – Used for expenditures (excluding salaries and fringe benefits) made for minor items not chargeable elsewhere.
- 893 **CLINICAL EXPENDITURES FOR OTHER HEALTH DEPARTMENTS** – All expenditures made by one health department for personal health services, Radiology/Pathology/Laboratory services, or Clinic Indirect activities provided at another health department.
- 894 **CAPITAL** – All capital expenditures that do not have specific restricted funding.
- 895 **ALLOCABLE DIRECT** – Used as a suspense fund for close-out receipts, leave pay, fringe benefits, and other authorized items to include Preventive, Environmental, and State Unrestricted.
- 897 **SPACE COSTS** – All indirect expenditures made for space occupancy purposes that are allocated on a square footage basis.
- 898 **DEPARTMENT INDIRECT** – All indirect expenditures made that benefit environmental, medical, home health, and other Direct Cost Centers.
- 899 **CLINIC INDIRECT** – All expenditures made for clinic scheduling, medical records, medical reception, medical service reporting, clinic supervision, and medical billing/accounts receivable activities that benefit the 700, 712, 715, and 718 Cost Centers. May include general clinic training, general continuing education, or attendance at general purpose conferences for providers or support staff.
- 900 **OTHER MEDICAL INDIRECT** – All indirect expenditures that benefit the direct medical Cost Centers (700 – 859, 878 – 879, 882 – 884, and 890). May include general medical training, general continuing education, or attendance at general purpose conferences for providers or support staff.
- 901 **ENVIRONMENTAL INDIRECT** – All indirect expenditures that benefit the direct environmental Cost Centers (500 – 595).
- 902 **OTHER INDIRECT** – All indirect expenditures that benefit the **OTHER** activities' Cost Centers (871 – 877, 880 – 881, and 885).
- 903 **HOME HEALTH INDIRECT** – All expenditures made for the Direct Home Health Cost Centers' medical records, reception, service-reporting, and billing/accounts receivable activities (860-869). Also includes any other indirect expenditures that benefit the Direct Home Health Cost Centers.

**LOCAL HEALTH DEPARTMENT  
CHART OF ACCOUNTS  
EXPENDITURE CODES**

<b>GENERAL LEDGER ACCOUNT</b>	<b>MINOR OBJECT CODE</b>	<b><u>DESCRIPTION</u></b>
<b>571</b>		<b><u>Full Time Employees Salaries &amp; Leave</u></b>
	<b>100</b>	Salaries – Full Time & PT 100
	<b>160</b>	Departmental Leave Pay
	<b>165</b>	Environmental Leave Pay
	<b>168</b>	Clinic Leave Pay
	<b>170</b>	Medical Leave Pay
	<b>175</b>	Other Leave Pay
	<b>178</b>	Home Health On-Call Leave Pay
	<b>179</b>	Home Health Leave Pay
<b>572</b>	<b>100</b>	<b><u>Personal Service Contract and Part-Time Employees Salaries and Wages</u></b>
<b>573</b>		<b><u>Fringe Benefits Expenditures</u></b>
	<b>180</b>	Combined for Allocation Purposes
	<b>181</b>	FICA
	<b>182</b>	Life Insurance
	<b>183</b>	Hospitalization
	<b>184</b>	H.M.O. (Health Maintenance Organization)
	<b>185</b>	KERS
	<b>186</b>	Unemployment Insurance
	<b>187</b>	Dental
	<b>188</b>	Workmen's Compensation
	<b>189</b>	Flexible Benefits
<b>575</b>		<b><u>Independent Contract Expenditures for Medical and Environmental Services</u></b>
		<b><u>Provider Service Type Accounts</u></b>
		(Use only if Specific Service Type Accounts are not available.)
	<b>201</b>	Physician Services (not included in another account)
	<b>202</b>	Board Certified Obstetrician/Gynecologist Services
	<b>204</b>	Ophthalmologist/Optometrlist
	<b>205</b>	Anesthesiologist Services
	<b>211</b>	Dentist Services

<b><u>GENERAL LEDGER ACCOUNT</u></b>	<b><u>MINOR OBJECT CODE</u></b>	<b><u>DESCRIPTION</u></b>
	215	Nurse Practitioner, Nurse Midwife and Physician Assistant Services
	217	Other Nurses Services
	218	Social Worker Services
	219	Nutritionist Services
	220	Physical Therapist Services
	221	Speech Therapist Services
	222	Occupational Therapist Services
	225	Other Therapist Services, Developmental Interventionist
	227	Audiologist Services
	229	Laboratory Technician/Medical Assistant
	230	Inpatient/Observation Hospital Services
	240	Physical Therapist Assistant
	241	Speech Therapist Assistant
	242	Occupation Therapist Assistant
	245	X-Ray/Other Testing Services
	250	Laboratory Services (written contract not required)
	255	Environmental Services
	260	Outpatient Procedures/Other Provider of Health Services
	265	Medical Support - Clerk
	270	District Coordinating Agency, Lead Agency, Program Transfer Services
575		<b><u>Specific Service Type Accounts</u></b> (See Clinic or Radiology/Laboratory/Pathology Service Plan for Services that are charged to each account.)
	303	Physician Delivery and Related Services (All general practitioners and specialists except Anesthesiologists.)
	304	Mammogram Follow-up (All professionals and provider agencies.)
	305	Pap-Smear Follow-up (All professionals and provider agencies.)
	306	Newborn Assessment Services (All professionals and provider agencies.)
	308	Initial Mammogram Services (All professionals and provider agencies.)
	309	Ultrasound Services (All professionals and provider agencies.)
	310	Inpatients Hospital Services
	311	Observation Hospital Services
	312	Sterilization Services (All professionals and provider agencies.)
	315	Patient Prenatal Classes (All professionals and provider agencies.)
577		<b><u>Travel Expenditures</u></b>
	326	In State
	327	Out of State
	328	Board Members

	329	Advisory Committee
	330	Volunteer Travel
580		<b><u>Space Occupancy Expenditures</u></b>
	331	Rent (Written lease required.)
580	332	Utilities
	333	Janitorial Supplies
	334	Property Insurance
	335	Building Maintenance and Repair
	336	Janitorial Services (Written contract required.)
581		<b><u>Office Operating Expenditures</u></b>
	340	Printing and Duplicating
	341	Telephone
	342	Postage
	343	Office Supplies - Stock Items
	344	Medical Record Supplies
	345	Computer Services
	346	Office Equipment Maintenance and Repair
	347	Office Equipment Rental
	348	Office Equipment/Non-capital
	349	Office Supplies - Non-stock Items
582		<b><u>State Central Support Charges/Taxes</u></b>
	356	Provider Tax
	357	State Central Support Services
	583	<b><u>Medical Supply Expenditures</u></b>
	358	Prescription Drugs from Pharmacies/Pharmacist Consulting Services
	359	Consumable Medical Supplies for Multiple Project Use
	360	Oxygen for Resale
	361	Biologicals and Drugs/Clinic Use
	362	Contraceptives
	363	Consumable Medical Supplies for Single Project
	364	Ancillary Medical Supplies for Single Project
	365	Durable Medical Equipment for Resale
	366	Laboratory Supplies
	367	DME/Oxygen for Rental
	368	Medical Equipment Maintenance and Repair
	369	Medical Equipment/Noncapital
584		<b><u>Automotive Expenditures</u></b>
	370	Leasing of Vehicles
	371	Gas and Oil
	372	Automobile Insurance
	373	Automobile Maintenance and Repair
	374	Motor Pool

<b><u>GENERAL LEDGER ACCOUNT</u></b>	<b><u>MINOR OBJECT CODE</u></b>	<b><u>DESCRIPTION</u></b>
<b>585</b>		<b><u>Other Operating Expenditures</u></b>
	<b>380</b>	Administrative Services from Other Health Departments (Written contract required.)
	<b>381</b>	Dues and Subscriptions
	<b>382</b>	Registration Fees
	<b>383</b>	Tuition Assistance
	<b>384</b>	Insurance
	<b>385</b>	Educational Supplies
	<b>387</b>	Laundry
	<b>388</b>	Legal (Written contract if <b>over \$5,000</b> )
	<b>389</b>	Other
	<b>390</b>	Advertising and/or Recruitment
	<b>391</b>	Audits (Written contract required.)
	<b>392</b>	Home Modifications
	<b>393</b>	Program Supplies
<b>601</b>		<b><u>Capital Expenditures</u></b>
	<b>670</b>	Furniture and Equipment (except Data Processing and Vehicles)
	<b>671</b>	Data Processing Equipment
	<b>672</b>	Land and Buildings
	<b>673</b>	Purchase of Vehicles
<b>680</b>		<b><u>Indirect Expenditures</u></b>
	<b>955</b>	Home Health Indirect
	<b>956</b>	Other Indirect
	<b>957</b>	Departmental Indirect
	<b>958</b>	Environmental Indirect
	<b>959</b>	Clinic Indirect
	<b>960</b>	Other Medical Indirect
<b>973</b>	<b>000</b>	Preventive Medical Allocation
<b>974</b>	<b>000</b>	Preventive Counseling Allocation
<b>975</b>	<b>000</b>	Problem Medical Allocation
<b>976</b>	<b>000</b>	Problem Counseling Allocation
<b>977</b>	<b>000</b>	Breastfeeding Counseling Allocation
<b>979</b>	<b>000</b>	Rad/Lab/Path Allocation

**LOCAL HEALTH DEPARTMENT  
CHART OF ACCOUNTS  
FUNCTION CODES**

- 110 Clinic, Dental, or Rad/Lab/Path Services** – Used to charge all allowable expenditures made in providing evaluation and management visits, anesthesia, surgery, radiology, laboratory, and medicine services for the prevention, diagnosis, treatment, and rehabilitation of illness or injury. Excluded from this function is time spent by RNs or LPNs assisting a physician, physician's assistant, nurse practitioner, or other mid-level provider (see function code 115).
- 115 Higher Provider Assistance (Clinic or Rad/Lab/Path)** – Used to charge all time spent by RNs or LPNs assisting a physician, physician's assistant, nurse practitioner, or other mid-level provider in providing clinic, dental, or Rad/Lab/Path Services.
- 117 Clinic or Rad/Lab/Path Abnormal Follow-up Coordination** – Used to charge all allowable expenditures made in providing the coordination of follow-up services for patients who have abnormal results from tests or procedures. Does not include follow-up for services that will be provided at the health department clinic.
- 118 Travel Time** – Used to charge all allowable expenditures related to travel expense incurred by clinic staff and environmental staff in traveling from their home base clinic/county to another clinic/county to support like functions. For clinic staff, this function should only be utilized when time related to the travel purpose will be coded to either function codes 110, 115, or 117. For environmental staff, this function should only be used when traveling to another county to provide a direct environmental function. This function is not to be utilized for travel for any other purpose such as training, HANDS visits, etc.
- 120 Supplemental Services** – Used to charge all allowable expenditures made in providing services reported in the Local Health Department Supplemental Services Reporting system. The following are excluded from this function code: expenditures in the HANDS program (see function codes 135-137), expenditures for breastfeeding nutrition education (see function code 139), and expenditures for other nutrition education (see function code 138).
- 125 Community Services** – Used to charge all allowable expenditures made in the preparation for or the provision of services reported in the Local Health Department Community Services Reporting system. The following are excluded from this function code: expenditures for breastfeeding nutrition education (see function code 139) and expenditures for other nutrition education (see function code 138).
- 129 Program General** – Used to charge all allowable expenditures made in a program and not included in a more specific function code. Cost centers which will always use this function code are 830 Community Cancer Coalitions, 836 Tobacco Cessation, 848 Healthy Start, and 900 Other Medical Indirect.
- 130 Patient Transportation** – Used to charge all allowable expenditures made in providing transportation for patients of the clinic.



- 135 HANDS Family Assessment/Professional Service** – Used to charge all allowable expenditures made in providing assessments and professional visits in the HANDS program.
- 136 HANDS Paraprofessional Service** – Used to charge all allowable expenditures made in providing paraprofessional visits in the HANDS program.
- 137 HANDS General** – Used to charge all allowable expenditures made in the HANDS program and not included in a more specific function code.
- 138 Other Nutrition Education** – Used to charge all allowable expenditures made in providing nutrition education services (other than breast-feeding) that are reported in the Local Health Department Supplemental Services Reporting system or made in the preparation for or the provision of nutrition education services (other than breastfeeding) reported in the Local Health Department Community Services Reporting system.
- 139 Breast-feeding Nutrition Education** – Used to charge all allowable expenditures made in providing breastfeeding nutrition education services that are reported in the Local Health Department Supplemental Services Reporting system or made in the preparation for or the provision of breastfeeding nutrition education services reported in the Local Health Department Community Services Reporting system.
- 110 Home Health Skilled Nursing Visits** – Used to charge all allowable expenditures made in providing skilled nursing visits in the patient's home.
- 140 Home Health Physical Therapy Visits** – Used to charge all allowable expenditures made in providing physical therapy visits in the patient's home.
- 141 Home Health Speech Therapy Visits** – Used to charge all allowable expenditures made in providing speech therapy visits in the patient's home.
- 142 Home Health Occupational Therapy Visits** – Used to charge all allowable expenditures made in providing occupational therapy visits in the patient's home.
- 143 Home Health Aide Visits** – Used to charge all allowable expenditures made in providing home health aide visits in the patient's home. Includes the nursing participation required by federal or state regulations.
- 144 Waiver Respite Care** – Used to charge all allowable expenditures made in providing Waiver Respite Care in the patient's home.
- 145 Home Health Supplies** – Used to charge all allowable expenditures made in providing home health supplies to home health patients.
- 146 Home Health General** – Used to charge all allowable expenditures made in the Home Health Cost Center that are not included in a more specific function.
- 147 Secondary Third-Party Payer** – Used to charge all expenditures made to independent contractors for patient services when the health department does not have primary responsibility for payment. If the patient's private third-party payer is responsible for any part of the payment for the services, then any remaining amount properly owed by the department is to be charged to this function. No entry of the services is to be made in the Patient Services Reporting System. If the patient's private third-party payer is not

responsible for any part of the payment for the services, then the services are reported in the PSRS and this function is not used.

- 148 Waiver Attendant Care** – Used to charge all allowable expenditures made in providing Waiver Attendant Care in the patient's home.
- 149 Home Health Social Work Visits** – Used to charge all allowable expenditures made in providing social work visits in the patient's home.
- 150 Environmental Activities** – Used to charge all allowable expenditures made to provide service types 7, 8, and 10 as reported in the Environmental Health Management Information System (EHMIS).
- 153 Environmental Services** – Used to charge all allowable expenditures made to provide service types 1-6, 9, and 11 as reported in the Environmental Health Management Information System (EHMIS).
- 152 Investigation, Data Entry, Surveillance** – Used to charge all allowable expenditures made to provide investigation, data entry, and/or surveillance of reportable disease, food borne illness, etc. Used in cost centers 800 and 810.
- 154 Waiver Assessment and Reassessment** – Used to charge all allowable expenditures made in providing Waiver Assessment and Reassessment.
- 155 Waiver Case Management** – Used to charge all allowable expenditures made in providing Waived Case Management services.
- 156 Waiver Homemaker** – Used to charge all allowable expenditures made in providing Waiver Homemaker services in the patient's home.
- 157 Waiver Personal Care** – Used to charge all allowable expenditures made in providing Waiver Personal Care in the patient's home.
- 158 Waiver General** – Used to charge all allowable expenditures made in the Waiver Cost Center that are not included in any more specific function.
- 160 Departmental Administration/Facility** – Used in 898 Departmental Indirect to charge all allowable expenditures made to provide the administration activities of the health department. Also used in 897 Space Indirect to charge all allowable expenditures made for the use and maintenance of the physical plant of the health department including housekeeping and maintenance, security, utilities, and rental.
- 165 Environmental General** – Used in Environmental Cost Centers to charge all allowable expenditures not included in a more specific function.
- 170 Assessment** – Used to charge all allowable expenditures made in providing the assessment activities of the health department that are not included in a more specific function. Assessment is the collection, analysis, and dissemination of information on the health and health related factors of the area served by the department. \*May be used to track expenditures related to accreditation.

- 173 Policy Development** – Used to charge all allowable expenditures made in providing the policy development activities of the health department that are not included in a more specific function. Policy development is the use of scientific knowledge of disease and health risks to develop comprehensive plans for the improvement of health in the area served by the department.
- 175 Assurance** – Used to charge all allowable expenditures made in providing the assurance activities of the health department that are not included in a more specific function. Assurance is the carrying out of activities to meet goals and plans developed in the policy development function.
- 180 Employee Training** – Used to charge all allowable expenditures made in providing training to the employees and other staff of the department. Excludes expenditures made for on the job training to bring new employees up to the minimum expected level of job performance.
- 181 Bioterrorism Training Coordinator** – Used to charge allowable expenditures made in coordinator training to the employees and other staff of the department.
- 185 Leave Pay/Fringe Benefits** – Used to charge all allowable expenditures made for any type of employee leave pay and employee fringe benefits.

**LOCAL HEALTH DEPARTMENT  
CHART OF ACCOUNTS  
RECEIPTS**

**STATE**

- 421 **STATE PREVENTIVE HEALTH** - Receipts from appropriations made by the General Assembly to LHDs. Must be used only for projects (programs) operated in accordance with the program standards of the DPH.
- 422 **STATE RESTRICTED** – Receipts from state appropriations made by the General Assembly that must only be used for a designated project.
- 423 **STATE RESTRICTED CARRY OVER** – Receipts from a health department's Restricted Fund Balance - State used for current year purposes.
- 424 **STATE ENVIRONMENTAL** – Receipts from the Kentucky DPH that must be used only for environmental projects.
- 425 **STATE CAPITAL CONSTRUCTION FUND** – Restricted receipts from the Cabinet for Health and Family Services that must be used for purchase, construction and/or renovation of LHDs.
- 426 **State Health Insurance** – inactive
- 427 **State Health Insurance** - inactive

**FEDERAL**

- 431 **TITLE V MCH BLOCK GRANT - FAMILY PLANNING** – Federal receipts received under Title V that must be used only to operate a family planning project under federal guidelines.
- 432 **TITLE X FAMILY PLANNING** – Federal receipts received under Title X that must be used only to operate a family planning project under federal guidelines.
- 435 **PREVENTIVE SERVICES BLOCK GRANT** – Federal receipts received under this grant that must be used only for a designated project.
- 438 **FEDERAL GRANT - DPH** – Federal receipts, except the ones specifically listed, received from the Kentucky DPH to operate a designated project. The right to use the money is based on total project operation and expenditures. Payments on a per service basis that result from individual patient billings and include individual patient accounts receivables (service fees) must **not** be included in this account.
- 439 **FEDERAL GRANTS - DIRECT** – Federal receipts, except the ones specifically listed, received to operate a specific project and received directly by the local health department from the Federal Government. The right to use the money is based on total

project operation and cost. Payments on a per service basis that result from individual patient billings and include individual patient accounts receivables (service fees) must **not** be included in this account.

- 440**    **FEDERAL RESTRICTED CARRY OVER** – Receipts from a health department's Restricted Fund Balance - Federal used for current year purposes.

### **LOCAL**

- 451**    **TAX APPROPRIATIONS** – Receipts that come from a Public Health Taxing District to support the health department.
- 452**    **COUNTY APPROPRIATIONS** – Receipts that come from the general funds of a county government to support the health department.
- 453**    **CITY APPROPRIATIONS** – Receipts that come from the general fund of a city government to support the health department.
- 456**    **DONATIONS** – Receipts received from any private source that is of an altruistic nature and has no relationship to any services provided to the donor.

### **SERVICE FEES**

- 459**    **SCHOOL BOARD CONTRACTS** – Receipts from local school boards for public health services related to schools.
- 460**    **PROGRAM ADMINISTRATION CONTRACTS** – Money received as payment for services rendered under the terms of a program administration contract.
- 461**    **FEDERAL** – Federal money from sources other than those listed below that is received on a fee for services rendered basis. Final payment may be contingent upon the costs of the services. Federal bills paid by Federal money. (CHAMPUS [VA])
- 462**    **TITLE XVIII** – Federal money received as payment for services rendered to Medicare eligible patients. Includes cost report settlement payments.
- 463**    **TITLE XIX** – Federal money received by a health department for services rendered to Title XIX eligible patients. Includes cost report settlement payments.
- 464**    **PROGRAM INCOME CARRY OVER** – Receipts from a health department's Restricted Fund Balance - Service Fees used for current year purposes.
- 465**    **SELF-PAY COINSURANCE AND DEDUCTIBLES** – Payments received from individuals for Coinsurance and Deductibles related to Medicare covered services.
- 466**    **SELF-PAY - OTHER** – Money received from individuals or companies/corporations (non-insurance) as payment for services rendered.

- 467**    **INSURANCE** – Money received from private insurers as payment for services rendered to individual patients. Actual payment may be made by the patient if assignment of insurance benefits was not obtained.
- 468**    **OTHER HEALTH DEPARTMENTS** – Any money received by one health department from another health department for services rendered.
- 469**    **OTHER** – Any other money not classified above received as a fee for service or received from the sale of surplus assets.
- 480**    **INTEREST RECEIVED** – Interest received by a health department from money invested in federally insured institutions or other authorized investments.
- 490**    **DEPARTMENT CARRY-OVER** – Receipts from the health department's undesignated fund balance used for current year purposes.

**NARRATIVE DESCRIPTION  
OF SELECTED  
GENERAL LEDGER/MINOR OBJECT CODES**

**573 Fringe Benefits**

Included in fringe benefits expenditures are: employers' share of F.I.C.A., employer's retirement, employer's health insurance, employer's life insurance Workmen's Compensation, Unemployment Insurance, and any other employer paid fringe benefit allowed or required by the policies of the DPH.

**575 Independent Contract Expenditures for Medical and Environmental Services**

These accounts are separated into two groupings:

- Provider Service Accounts: Expenditures are recorded in the same categories as the Contract Provider Class ID Number categories in the Patient Services Reporting System (PSRS).
- Specific Service Accounts: Used when more detailed financial information is needed than can be provided by the Provider Service Account categories.

Services are always reported using only the PSRS Categories while expenditures may be recorded using either or both of the contract groupings. Due to the detailed requirements of the service costing system extreme care should be taken to ensure that expenditures for independent contractors are recorded in the correct account.

**Definitions for selected minor object codes used for Independent Contracts:**

**205 Anesthesiologist Services** – Includes payments to anesthesiologists and nurse anesthetists.

**270 District Coordinating Agency, Lead Agency, and Program Transfer Services** – Used to record payments for Family Planning District Coordinating Agency contract services and Lead Agency Contract Services between health departments and other

payments between health departments if the department receiving the payment reports the services in the PSRS System.

- 303 Physician Delivery and Related Services** – Used to record payments for contracted physician services made for delivery and related services. Includes payments to nurse midwives. Used only in the 803 Cost Center.
- 304 Mammogram Follow-up Services** – Used to record payment made for services related to Mammogram Follow-Up as defined in the PUBLIC HEALTH PRACTICE REFERENCE (PHPR).
- 305 Pap-Smear Follow-Up Services** – Used to record payment for services related to Pap-Smear Follow-Up as defined in the Public Health Practice Reference. Does not include office visits.
- 306 Newborn Assessment Services** – Record payment for these services as defined in the Patient Services Manual.
- 308 Initial Mammogram** – Used to record payment made to providers for initial mammogram services as defined in the Patient Services Manual.
- 309 Ultrasounds** – Used to record payments to contracted providers for the performance of the ultrasound procedure and payments to contracted physicians to interpret the results.
- 310 Inpatient Hospital Services** – Used to record all payments made to a hospital as the result of an inpatient stay by a health department patient. This includes x-ray, lab, other tests, drugs, supplies, and daily room charges. When an ancillary service is provided by a hospital to a health department patient on an outpatient basis, these expenditures shall not be charged to 310 Inpatient Hospital Services, but shall be charged to the appropriate contract expenditure account, such as 250 Laboratory Services or 245 X-ray/other testing services.
- 311 Observation/Outpatient Hospital Services** – Record payments made to a hospital as a result of observations or other Outpatient Service. Does **not** include physician services. Includes X-ray, lab, other tests, drugs, supplies, and observation/outpatient charges.
- 312 Sterilization Services** – Used to record payments made to all providers for male or female sterilization services.

## **580 Space Occupancy Expenditures**

- 335 Building Maintenance and Repair** – Does not include capital improvements to the building. For assistance determining if an expense is a capital improvement or maintenance and repair, contact the AFM.

## **581 Office Operating Expenditures**

- 340 Printing and Duplicating** - Used to record all expenditures for in-house or outside printing and duplicating. This includes leases and maintenance agreements for copy machines and duplicating supplies including copy paper.
- 343 Office Supplies – Stock Items** - Items not directly identifiable to a specific program area should be charged to an indirect Cost Center.
- 345 Computer Services** - Includes payments to service bureaus, communications charges, lease payments, maintenance on CRT's, printers, etc., and supplies such as diskettes, printer supplies, and paper.
- 349 Office Supplies – Non-Stock Items** –Items that can be directly associated or identified to a specific program area should be charged to a Direct Cost Center.

## **583 Medical Supply Expenditures**

- 358 Prescription Drugs from Pharmacies / Pharmacist Consulting Services** – Should not be charged to the 700 Cost Center.
- 359 Consumable Medical Supplies for Multiple Project Use** - Should be charged to an Indirect Cost Center.
- 363 Consumable Medical Supplies for Single Project** - Should be charged to a Direct Cost Center.
- 366 Laboratory Supplies** - Used to charge all items associated with the performance of in-house laboratory tests. Services provided by outside laboratories are charged to the Laboratory Services contract account (250). Used primarily in the 718 Cost Center.

### **LOCAL HEALTH DEPARTMENT IDENTIFICATION CODES**

<b>LOCAL HEALTH DEPARTMENT IDENTIFICATION CODES</b>		
<b>LOCAL HEALTH DEPARTMENT</b>		<b>HID</b>
<b>ALLEN COUNTY</b>		<b>102</b>
<b>ANDERSON COUNTY</b>		<b>103</b>
<b>BOURBON COUNTY</b>		<b>109</b>
<b>BOYD (ASHLAND-BOYD) COUNTY</b>		<b>110</b>
<b>BOYLE COUNTY</b>		<b>111</b>
<b>BRACKEN COUNTY</b>		<b>112</b>
<b>BREATHITT COUNTY</b>		<b>113</b>



<b>BRECKINRIDGE COUNTY</b>	<b>114</b>
<b>BULLITT COUNTY</b>	<b>115</b>
<b>CHRISTIAN COUNTY</b>	<b>124</b>
<b>CLARK COUNTY</b>	<b>125</b>
<b>ESTILL COUNTY</b>	<b>133</b>
<b>FAYETTE (LEXINGTON-FAYETTE) COUNTY</b>	<b>134</b>
<b>FLEMING COUNTY</b>	<b>135</b>
<b>FLOYD COUNTY</b>	<b>136</b>
<b>FRANKLIN COUNTY</b>	<b>137</b>
<b>GARRARD COUNTY</b>	<b>140</b>
<b>GRAVES COUNTY</b>	<b>144</b>
<b>GREENUP COUNTY</b>	<b>145</b>
<b>HOPKINS COUNTY</b>	<b>154</b>
<b>JEFFERSON (LOUISVILLE METRO) COUNTY</b>	<b>156</b>
<b>JESSAMINE COUNTY</b>	<b>157</b>
<b>JOHNSON COUNTY</b>	<b>158</b>
<b>KNOX COUNTY</b>	<b>161</b>
<b>LAUREL COUNTY</b>	<b>163</b>
<b>LAWRENCE COUNTY</b>	<b>164</b>
<b>LEWIS COUNTY</b>	<b>168</b>
<b>LINCOLN COUNTY</b>	<b>169</b>
<b>MADISON COUNTY</b>	<b>176</b>
<b>MAGOFFIN COUNTY</b>	<b>177</b>
<b>MARSHALL COUNTY</b>	<b>179</b>
<b>MARTIN COUNTY</b>	<b>180</b>
<b>MERCER COUNTY</b>	<b>184</b>
<b>MONROE COUNTY</b>	<b>186</b>
<b>MONTGOMERY COUNTY</b>	<b>187</b>
<b>MUHLENBERG COUNTY</b>	<b>189</b>
<b>OLDHAM COUNTY</b>	<b>193</b>
<b>PIKE COUNTY</b>	<b>198</b>
<b>POWELL COUNTY</b>	<b>199</b>
<b>TODD COUNTY</b>	<b>210</b>
<b>WHITLEY COUNTY</b>	<b>218</b>
<b>WOODFORD COUNTY</b>	<b>220</b>
<b>LINCOLN TRAIL DISTRICT</b>	<b>302</b>
<b>BARREN RIVER DISTRICT</b>	<b>303</b>
<b>PURCHASE DISTRICT</b>	<b>304</b>
<b>NORTH CENTRAL DISTRICT</b>	<b>305</b>

<b>LAKE CUMBERLAND DISTRICT</b>		<b>309</b>
<b>NORTHERN KENTUCKY DISTRICT</b>		<b>310</b>
<b>LITTLE SANDY DISTRICT</b>		<b>311</b>
<b>KENTUCKY RIVER DISTRICT</b>		<b>312</b>
<b>CUMBERLAND VALLEY DISTRICT</b>		<b>313</b>
<b>GREEN RIVER DISTRICT</b>		<b>314</b>
<b>WEDCO DISTRICT</b>		<b>315</b>
<b>GATEWAY DISTRICT</b>		<b>316</b>
<b>THREE RIVERS DISTRICT</b>		<b>317</b>
<b>PENNYRILE DISTRICT</b>		<b>318</b>
<b>BUFFALO TRACE DISTRICT</b>		<b>321</b>

## **ON-SITE COMPLIANCE REVIEW**

(Updated June 10, 2010)

The (DPH) shall have and maintain a strong Local Health Department (LHD) site-visit compliance review program. This program will be managed by AFM.

### **PURPOSE:**

The purpose of the on-site compliance review is to carry out DPH fiscal oversight and monitoring responsibilities imposed by state and federal regulations, comply with the joint DPH and Women, Infants & Children (WIC) plan requirements, and assist LHDs with fiscal and operational issues.

### **PROCEDURE:**

AFM staff will perform an on-site compliance review of all LHDs over a two year period. During the fiscal on-site compliance review, staff will review original source documentation to determine the accuracy of:

- a. Cash reconciliation procedures and daily cash balance tracking procedures
- b. Time and travel reporting of employees to determine compliance with the indirect cost allocation policies and procedures required by the Administrative Reference for LHDs\*
- c. Indirect cost allocation procedures required in instances of charges to both direct and indirect cost centers for the same items of expense\*
- d. Clinic service authorization and payment procedures for contracted services
- e. Level of evaluation and management visits reported
- f. Patient Encounter Form entry procedures

\*Note: 902 KAR 8:170 requires LHDs to follow policies and procedures contained in OMB Circular A-87, found in 2CFR, Subtitle A, Chapter 2, part 225 and available at the following web link: [http://www.whitehouse.gov/omb/fedreg/2005/083105\\_a87.pdf](http://www.whitehouse.gov/omb/fedreg/2005/083105_a87.pdf)

### **ON-SITE VISIT NOTIFICATION:**

Each LHD Director and other appropriate LHD staff will be notified of the date their review is scheduled. Notifications may be up to six months in advance. Appropriate DPH staff will arrange the logistics necessary to support each trip.

Each LHD Director and other appropriate LHD staff will be notified of the information required to perform the review at least three business days prior to the visit. It is expected that the LHD will have all requested information available prior to the arrival of AFM staff.

AFM's Director will be notified of rescheduled visits.

### **CONDUCTING SITE VISIT CONFERENCES:**

An entrance/exit conference will be conducted by the DPH review team with the LHD Director and/or designee.

Preliminary findings will be discussed and submitted to management as appropriate.

### **ON-SITE VISIT WRITTEN REPORTS:**

A written report will be sent to the LHD Director within 30 days of the completion of the on-site compliance review. If a corrective action plan is required, the LHD Director must submit the corrective action plan within 30 days of the date shown on the written report using the template provided by DPH.

AFM may follow-up on significant issues at any time.

## **OMB CIRCULAR A-87, ATTACHMENT A**

### **Excerpts from OMB Circular A-87**

#### **D. Composition of Cost**

1. Total cost. The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.
2. Classification of costs. There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost. Guidelines for determining direct and indirect costs charged to Federal awards are provided in the sections that follow.

#### **E. Direct Costs**

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.
2. Application. Typical direct costs chargeable to Federal awards are:
  - a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
  - b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
  - c. Equipment and other approved capital expenditures.
  - d. Travel expenses incurred specifically to carry out the award.
3. Minor items. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

## F. Indirect Costs

1. General. Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefited cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.
2. Cost allocation plans and indirect cost proposals. Requirements for development and submission of cost allocation plans and indirect cost rate proposals are contained in Attachments C, D, and E.
3. Limitation on indirect or administrative costs.
  - a. In addition to restrictions contained in this Circular, there may be laws that further limit the amount of administrative or indirect cost allowed.
  - b. Amounts not recoverable as indirect costs or administrative costs under one Federal award may not be shifted to another Federal award, unless specifically authorized by Federal legislation or regulation.
  - c. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.
    - (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
    - (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
    - (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
    - (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) Unless a statistical sampling system [see subsection (6)] or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
      - (a) More than one Federal award,
      - (b) A Federal award and a non-Federal award,
      - (c) An indirect cost activity and a direct cost activity,
      - (d) Two or more indirect activities which are allocated using different allocation bases, or
      - (e) An unallowable activity and a direct or indirect cost activity.

- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
  - (b) They must account for the total activity for which each employee is compensated,
  - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
  - (d) They must be signed by the employee.
  - (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
    - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
    - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
    - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

#### **A. General.**

1. Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to Federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.
2. Indirect costs include (a) the indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and (b) the costs of central governmental services distributed through the central service cost allocation plan (as described in Attachment C) and not otherwise treated as direct costs.
3. Indirect costs are normally charged to Federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards. Guidelines and illustrations of indirect cost proposals are provided in a brochure published by the Department of Health and Human Services entitled "A Guide for State and Local Government Agencies: Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government." A copy of

this brochure may be obtained from the Superintendent of Documents, U.S. Government Printing Office.

4. Because of the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as indirect costs cannot be specified in all situations. However, typical examples of indirect costs may include certain State/local-wide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, etc.
5. This Attachment does not apply to State public assistance agencies. These agencies should refer instead to Attachment D.

## **B. Definitions.**

1. "Indirect cost rate proposal" means the documentation prepared by a governmental unit or subdivision thereof to substantiate its request for the establishment of an indirect cost rate.
2. "Indirect cost rate" is a device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.
3. "Indirect cost pool" is the accumulated costs that jointly benefit two or more programs or other cost objectives.
4. "Base" means the accumulated direct costs (normally either total direct salaries and wages or total direct costs exclusive of any extraordinary or distorting expenditures) used to distribute indirect costs to individual Federal awards. The direct cost base selected should result in each award bearing a fair share of the indirect costs in reasonable relation to the benefits received from the costs.
5. "Predetermined rate" means an indirect cost rate, applicable to a specified current or future period, usually the governmental unit's fiscal year. This rate is based on an estimate of the costs to be incurred during the period. Except under very unusual circumstances, a predetermined rate is not subject to adjustment. (Because of legal constraints, predetermined rates are not permitted for Federal contracts; they may, however, be used for grants or cooperative agreements.) Predetermined rates may not be used by governmental units that have not submitted and negotiated the rate with the cognizant agency. In view of the potential advantages offered by this procedure, negotiation of predetermined rates for indirect costs for a period of two to four years should be the norm in those situations where the cost experience and other pertinent facts available are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of indirect costs during the ensuing accounting periods.
6. "Fixed rate" means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual, allowable costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

7. Provisional rate" means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on Federal awards pending the establishment of a "final" rate for that period.
8. "Final rate" means an indirect cost rate applicable to a specified past period which is based on the actual allowable costs of the period. A final audited rate is not subject to adjustment.
9. "Base period" for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to activities performed in that period. The base period normally should coincide with the governmental unit's fiscal year, but in any event, shall be so selected as to avoid inequities in the allocation of costs.

### **C. Allocation of Indirect Costs and Determination of Indirect Cost Rates.**

1. General.
  - a. Where a governmental unit's department or agency has only one major function, or where all its major functions benefit from the indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures as described in subsection 2.
  - b. Where a governmental unit's department or agency has several major functions which benefit from its indirect costs in varying degrees, the allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefited functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).
  - c. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in subsections 2, 3 and 4.
2. Simplified method.
  - a. Where a grantee agency's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (1) classifying the grantee agency's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual Federal awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where a governmental unit's department or agency has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to that department or agency is relatively small.
  - b. Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs must be included in the



- direct costs if they represent activities to which indirect costs are properly allocable.
- c. The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.
3. Multiple allocation base method.
- a. Where a grantee agency's indirect costs benefit its major functions in varying degrees, such costs shall be accumulated into separate cost groupings. Each grouping shall then be allocated individually to benefited functions by means of a base which best measures the relative benefits.
  - b. The cost groupings should be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenses that are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The number of separate groupings should be held within practical limits, taking into consideration the materiality of the amounts involved and the degree of precision needed.
  - c. Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefited functions. When an allocation can be made by assignment of a cost grouping directly to the function benefited, the allocation shall be made in that manner. When the expenses in a grouping are more general in nature, the allocation should be made through the use of a selected base which produces results that are equitable to both the Federal Government and the governmental unit. In general, any cost element or related factor associated with the governmental unit's activities is potentially adaptable for use as an allocation base provided that: (1) it can readily be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like), and (2) it is common to the benefited functions during the base period.
  - d. Except where a special indirect cost rate(s) is required in accordance with subsection 4, the separate groupings of indirect costs allocated to each major function shall be aggregated and treated as a common pool for that function. The costs in the common pool shall then be distributed to individual Federal awards included in that function by use of a single indirect cost rate.
  - e. The distribution base used in computing the indirect cost rate for each function may be (1) total direct costs (excluding capital expenditures and other distorting items such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution. An indirect cost rate should be developed for each separate indirect cost pool developed. The rate in each case should be stated as the percentage relationship between the particular indirect cost pool and the distribution base identified with that pool.
4. Special indirect cost rates.
- a. In some instances, a single indirect cost rate for all activities of a grantee department or agency or for each major function of the agency may not be

appropriate. It may not take into account those different factors which may substantially affect the indirect costs applicable to a particular program or group of programs. The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the organizational arrangements used, or any combination thereof. When a particular award is carried out in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to that award. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting there from should be used, provided that: (1) the rate differs significantly from the rate which would have been developed under subsections 2. and 3., and (2) the award to which the rate would apply is material in amount.

- b. Although this Circular adopts the concept of the full allocation of indirect costs, there are some Federal statutes which restrict the reimbursement of certain indirect costs. Where such restrictions exist, it may be necessary to develop a special rate for the affected award. Where a "restricted rate" is required, the procedure for developing a non-restricted rate will be used except for the additional step of the elimination from the indirect cost pool those costs for which the law prohibits reimbursement.